



Pharmaceuticals Limited

**Registered & Corporate Office :**

Plot No. 72, H. No. 8-2-334/3 & 4, Road No. 5,

Opp. SBI Executive Enclave, Banjara Hills,

Hyderabad - 500 034, Telangana, INDIA.

Tel : +91-40-2525 9999, Fax : +91-40-2525 9889

CIN : L24239TG1987PLC008066

Email: info@smspharma.com, www.smspharma.com

8<sup>th</sup> September, 2020

To,  
BSE Limited.  
Listing Department, P J Towers,  
Dalal Street,  
Mumbai – 400 001.  
Scrip code: 532815

**National Stock Exchange of India Limited**  
Listing Department, “Exchange Plaza”,  
Bandra-Kurla Complex, Bandra (E),  
Mumbai - 400 051  
Scrip code: SMSPHARMA

Dear Sir / Madam,

Sub: Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 – Submission of Annual Report for the FY 2019-20.

Pursuant to Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 we are submitting herewith soft copy of the Annual Report of the Company for the Financial Year 2019-20. The 32<sup>nd</sup> Annual General Meeting of the Company scheduled on 30<sup>th</sup> September, 2020 to be held through Video Conferencing (“VC”) / Other Audio Visual Means (“OAVM”).

Request you to take the above information on record

Thanking you,

Yours faithfully,  
For SMS Pharmaceuticals Limited

  
V S Venkatish  
Company Secretary

Encl: as above



**sms** Pharmaceuticals Ltd.



# ANNUAL REPORT

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## 2019-20





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### **GREEN INITIATIVE:**

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies Act. As per the Section 101 read with Rule 18 of Companies (Management and Administration) Rules, 2014 of Companies Act, 2013 and SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020. Member of Company can receive notice in electronic mode via email. Your Company has decided to join the MCA in its environment friendly initiative.

Henceforth, the Company proposes to send documents such as Notice of the General Meetings, Annual Report and other communication to its shareholders via electronic mode to the registered e-mail addresses of shareholders. To support this green initiative of the Government in full measure, shareholders are requested to register/update their latest e-mail addresses with the Company via e-mail at: [cs@smspharma.com](mailto:cs@smspharma.com)

We solicit your valuable co-operation and support in our endeavors to contribute our bit to the environment.

## CORPORATE INFORMATION

### Board of Directors

Mr. Ramesh Babu Potluri	Chairman and Managing Director
Mr. TVVSN Murthy	Non-Executive Director
Mr. P. Sharath Kumar	Independent Director
Smt Dr. T. Neelaveni	Independent Director
Mr. Sharvan Kudaravalli	Independent Director
Mr. Sarvepalli Mr.nivas	Independent Director (from 12 <sup>th</sup> August, 2019)
Mrs. Shilpa R Waghmare	Nominee Director of Exim Bank
Mr.Vamsi Krishna Potluri	Additional Director (w.e.f 5 <sup>th</sup> June, 2020)
Mr. P.S. Rao	Independent Director (Up to 10/08/2019)

### Key Managerial Persons

Mr. T. Lakshmi Narayana	Chief Financial Officer
Mr.V S Venkatish	Company Secretary

### Executive Team

Mr. Vamsi Krishna Potluri	Senior Vice President - Operations
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### Auditors

M/s Suryanarayana & Suresh	Statutory Auditor
M/s SVVS Associates Company Secretaries LLP	Secretarial Auditor
Mr. KSN Sarma	Cost Auditor
M/s Adusumilli & Associates	Internal Auditor

### Registered Office

Plot No. 72, H.No. 8-2-334 / 3 & 4,  
Road No. 5, Opp. SBI Executive Enclave,  
Banjara Hills, Hyderabad – 500034  
Telangana, India.  
CIN: L24239TG1987PLC008066

### Contact Details

website:www.smspharma.com  
Tel: 040-25259999  
Fax: 040-25259889  
Mail.id:info@smspharma.com

### REGISTRAR & SHARE TRANSFER AGENT

M/s Aarthi Consultants Private Limited  
Domalguda, Hyderabad - 500029 Telangana State  
Phone : 040-27638111/27642217/27634445  
Fax: 040-27632184,Email: info@aarthiconsultants.com

### Bankers

State Bank of India  
IDBI Bank Limited  
RBL Bank Limited  
Export Import Bank of India  
Yes Bank

## **Auditors Address**

Statutory Auditor  
M/s Suryanarayana & Suresh  
Chartered Accountants  
8-2-601/B, Flat.No: 10,  
Millennium House, Near Zaheer Nagar X Road  
Banjara Hills, Hyderabad – 500034  
Ph.no: 040-23386783 / 23386784  
Email: Suryanarayanasuresh@gmail.com

Secretarial Auditor  
SVVS Associates Company Secretaries LLP  
Company Secretaries  
3-6-481, Street No.6, Himayath Nagar  
Hyderabad - 500029 Telangana State

## **Internal Auditor**

M/s Adusumilli and Associates  
Chartered Accountants  
Flat.No. 302, Mr. Sai Residency,  
Balkampet Main Road, Hyderabad  
500038, Telangana State

## **Cost Auditors**

Mr. K S N Sarma  
Cost Accountant  
216, Rangadhamamu,  
HMT Satavahana Nagar, Kukatpally,  
Hyderabad – 500072, Telangana

## **Manufacturing Facilities at:**

1. Plot. No: 24 & 24B and 36 & 37  
S.V. Co. operative Industrial Estate  
Bachupally, Medchal Malkajgiri District  
Hyderabad – 500090, Telangana, India  
Ph: 040-65986691  
Email: admin\_unit2@smspharma.com

2. Sy.No. 160,161,163 to 167  
Kandivalasa (V), Poosapatirega (M)  
Vizianagaram District,  
Andhra Pradesh - 5534204  
Ph: 089220308887/89  
Fax: 08922-258052  
Email: admin\_unit7@smspharma.com

## **Research and Development Centre**

Sy.No. 186, 189 & 190, Gagillapur (V), Qutubullapur (M),  
Medchal Malkajgiri District, Hyderabad – 500043, Telangana State, India  
Phone: 8374452494; email: rnd@smspharma.com

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 32<sup>nd</sup> Annual General Meeting (AGM) of the members of SMS Pharmaceuticals Limited (CIN: L24239TG1987PLC008066) will be held on Wednesday, September 30, 2020 at 9.00 A.M. through Video Conferencing (VC)/ Other Audio-Visual Means (OAVM) and deemed venue of AGM is at the registered office of the Company situated at Plot.no.72, H.No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara hills, Hyderabad, Telangana, India 500034 to transact the following business:

### ORDINARY BUSINESS:

#### 1. ADOPTION OF FINANCIAL STATEMENTS

To consider and adopt the audited (Standalone and Consolidated) financial statement of the Company for the financial year ended 31st March 31, 2020 and the reports of the Board of Directors and the Auditors thereon;

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT the audited standalone and consolidated financial statements of the Company for the financial year ended 31st March, 2020 and the reports of the Board of Directors and Auditors thereon laid before this meeting, be and are hereby considered and adopted.”

#### 2. CONFIRMATION OF INTERIM DIVIDEND PAID DURING THE FINANCIAL YEAR 2019-20

To confirm the interim dividend of Re. 0.25 paise per Equity Share paid during the year as dividend for the Financial Year 2019-20.

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

“RESOLVED THAT the interim dividend at the rate of 25% i.e., Re. 0.25 Paise per equity share of Re. 1/- each declared by the Board of Directors of the Company at their meeting held on 18<sup>th</sup> March, 2020, absorbing a sum of ₹ 2,11,63,007/- (Rupees Two corers eleven lakhs sixty three thousand and seventy paise only) [excluding all applicable taxes] be and is hereby confirmed and approved as the final dividend for the year ended March 31, 2020.”

#### 3. RE-APPOINTMENT OF Mr. TVVSN MURTHY, RETIRING ON ROTATION, AS DIRECTOR OF THE COMPANY

To re-appoint Mr. TVVSN Murthy (DIN: 00465198) who retires by rotation, at this Annual General Meeting and being eligible, offers himself for re-appointment.

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

“RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, Mr. TVVSN Murthy (DIN: 00465198), who retires by rotation, be and is hereby re-appointed as a director liable to retire by rotation.”

### SPECIAL BUSINESS:

#### 4. APPOINTMENT OF Mr. VAMSI KRISHNA POTLURI AS A DIRECTOR

To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. Vamsi Krishna Potluri (DIN 06956498) who was appointed by the Board of Directors, based on the recommendation of the Nomination and Remuneration Committee as an Additional Director effective from June 5<sup>th</sup>, 2020 and who holds office up to the date of this Annual General Meeting in terms of Section 161 and other applicable provisions, if any, of the Companies Act, 2013 (hereinafter referred to as the ‘Act’), including any modification or re-enactment thereof and who is eligible for appointment and has consented to act as a Director of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160(1) of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all such steps as may be deemed necessary, proper or expedient to give effect to this resolution.”

#### 5. APPROVAL OF APPOINTMENT OF Mr. VAMSI KRISHNA POTLURI AS A WHOLE-TIME DIRECTOR, DESIGNATED AS EXECUTIVE DIRECTOR.

To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

**“RESOLVED THAT** pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors of the Company, and in accordance with the provisions of Section 152, 188, 196, 197 and other applicable provisions if any, of the Companies Act, 2013 (hereinafter referred to as the ‘Act’) and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification or reenactment thereof) read with Schedule V of the Act, approval of the members be and is hereby accorded to appoint Mr. Vamsi Krishna Potluri (DIN: 06956498), as Whole Time Director designated as Executive Director of the Company, for a period of 5 (five) consecutive years commencing from 1<sup>st</sup> July, 2020 on such terms and conditions, including minimum remuneration in the event of absence or inadequacy of profits, as set out in the explanatory statement relating to this resolution.

**RESOLVED FURTHER THAT** in the event of any statutory amendment, modification or relaxation pursuant to Schedule V to the Act, the Board of Directors be and is hereby authorized to vary or increase the remuneration including salary, commission, perquisites, allowances etc. within such prescribed limit or ceiling as amended without any further reference to the members of the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution.”

**6. RATIFY / APPROVE THE RELATED PARTY CONTRACTS/ ARRANGEMENTS/ TRANSACTIONS OF THE COMPANY.**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Section 188 and all other applicable provisions, if any of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 (as amended from time to time) and as per Regulation 23(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the approval / ratification of the members of the Company, be hereby, accorded to all the arrangements / transactions entered by the Company with Related Parties in the financial year 2019-20 or earlier year, whether by way of continuation / extension / renewal / modification of earlier arrangements / transactions or otherwise,

and entering into further contracts / arrangements / transactions with ‘Related Parties’ as defined under Section 2(76) of the Companies Act, 2013, within the prescribed limits of Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23(1) of SEBI (LODR) Regulations, whether material or not, for the FY 2019-20 as set out in the Explanatory Statement.

**“RESOLVED FURTHER THAT** the Board of Directors of the Company, be and is hereby, authorized to do, all such acts, matters, deeds and things, settle any queries / delegate such authority as may be deemed necessary and execute such addendum contracts / arrangements / transactions as may be considered necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company.”

**7. RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITOR FOR THE FINANCIAL YEAR ENDING ON 31<sup>ST</sup> MARCH, 2021.**

To consider and if thought fit, to pass, with or without modification (s), the following resolution as an **Ordinary Resolution**.

**“RESOLVED THAT** pursuant to Section 148 of the Companies Act, 2013 (‘Act’) and Rule 6 of the Companies (Cost Records and Audit) Rules, 2014 and all other applicable provisions, if any, of the Act and the rules made thereunder, as amended, the members be and hereby ratify the remuneration of ₹ 75,000/- (Rupees Seventy Five thousand only) and taxes as applicable plus out of pocket expenses payable to Mr. K.S.N.Sarma, Cost Accountant having registration No. 102145 and Membership No. 6875 appointed by the Board of Directors of the Company to conduct the Cost Audit for the financial year ending 31<sup>st</sup> March, 2021.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be hereby authorized to do, all such acts, matters, deeds and things, settle any queries/ difficulties/ doubts arise from it, including delegate such authority as may be deemed necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company.”

By the order of the Board

**Ramesh Babu Potluri**

Place: Hyderabad  
Date: 05-06-2020

Chairman and Managing Director  
(DIN:00166381)



## Notes to E-AGM NOTICE

1. The Statement pursuant to Section 102(10) of the Companies Act, 2013 and the Rules made thereunder (“ACT”) in respect of the Special business set out in the Notice, Secretarial Standard on General Meetings (“SS-2”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) wherever applicable, is annexed hereto. The Board of Directors of the Company at its meeting held on 5<sup>th</sup> June, 2020 concluded that the special business under 4 to 7, are critical and considered unavoidable, and hence need to be transacted at the 32<sup>nd</sup> AGM of the Company.
2. In view of the massive outbreak of the COVID-19 pandemic, social distancing is a norm to be followed, the Government of India, Ministry of Corporate Affairs (“MCA”) allowed conducting Annual General Meeting (“AGM”) through Video Conferencing (“VC”) or Other Audio Visual Means (“OAVM”) and dispensed the personal presence of the members at the meeting. Accordingly, the MCA issued Circular No. 14/2020 dated April 8, 2020, Circular No. 17/2020 dated April 13, 2020 and Circular No. 20/2020 dated May 5, 2020 (“MCA Circulars”) and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by the Securities and Exchange Board of India (“SEBI Circular”) prescribing the procedures and manner of conducting the AGM through VC/OAVM.

In terms of the said circulars, the 32<sup>nd</sup> AGM of the members will be held through VC/OAVM. Hence, members can attend and participate in the AGM through VC/OAVM only. The detailed procedure for participation in the meeting through VC/OAVM is as per note **No. 12** and available at the Company’s website [www.smspharma.com](http://www.smspharma.com).

**Deemed Venue for the AGM shall be registered office of the Company.**

**Company is providing VC/OAVM facility to its members to attend the 32<sup>nd</sup> AGM through Central Depository Services Limited (CDSL).**

The facility for attending the AGM virtually will be made available for 1,000 shareholders on first come first served basis. This will not include large members (i.e. members with 2% or more shareholding,

promoters, institutional investors, Directors, key managerial personnel, the chairpersons of the Audit Committee, Nomination & Remuneration Committee and Stakeholders’ Relationship committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

***[Detailed procedure for participation in the meeting is mentioned in note no. 22.]***

3. In line with the aforesaid Circulars and our intimation dated 18<sup>th</sup> July, 2020, the Notice of AGM along with Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories as on Friday, 4<sup>th</sup> September, 2020. Members may note that Notice and Annual Report 2019-20 can also be accessed from the websites of the Company at [www.smspharma.com](http://www.smspharma.com), websites of the Stock Exchange(s) [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com), website of CDSL (agency for providing the remote / venue e-voting facility) [www.evotingindia.com](http://www.evotingindia.com).
4. The VC/OAVM facility for shareholders to join the meeting, shall be kept open 15 minutes before the start of the AGM (i.e. 8.45 am) and shall be closed on expiry of 15 minutes after start of the AGM (i.e. 9.15 am).
5. Pursuant to the MCA Circular No. 14/2020 dated 8<sup>th</sup> April, 2020, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. However, the Body Corporates are entitled to appoint authorized representatives by sending representation at [cs@smspharma.com](mailto:cs@smspharma.com) to attend the AGM through VC/OAVM and participate thereat and cast their votes through e-voting.
6. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Act.
7. The detailed procedure and instruction for e-voting is mentioned in note no. 16.
8. The statutory registers under the Companies Act, 2013 and all other documents referred to in the notice will be available for inspection in electronic mode. Members

who wish to inspect the register are requested to write to the company at [cs@smspharma.com](mailto:cs@smspharma.com)

9. Members seeking any information with regard to accounts or any other information are requested to write to the Company at least 10 days before the meeting so as to enable the management to keep the information ready.
10. No physical copy of the notice of the AGM and the Annual Report for the year 2019-20 has been sent to members who have not registered their e-mail addresses with the company/depository participants. However, Members will be entitled to a physical copy of the Annual Report for the year 2019-20, free of cost, upon sending a request to the Company Secretary at Plot No. 72, H.No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad – 500034. once normalcy is restored.
11. Members who have not yet registered their e-mail address may register the same by following the procedure laid down in note no 18.
12. Members holding the shares in physical mode are requested to notify immediately the change of their address and bank particulars to the RTA of the Company. In case shares are held in dematerialized form, the information regarding change of address and bank particulars should be given to their respective Depository Participant.

Further, as per Regulation 40 of Listing Regulations, as amended, securities of listed companies can only be transferred in demat form with effect from 1<sup>st</sup> April,

2019, except in case of request for transmission or transposition of securities. In view of this, Members holding shares in physical form are requested to consider converting their holding to demat form, Members can contact Company / RTA for assistance in this regard.

13. In terms of Section 72 of the Act, nomination facility is available to individual Members holding shares in the physical mode. Members, who are desirous of availing this facility, may kindly write to Company's RTA for nomination form by quoting their folio number.
14. The Company's Statutory Auditors, M/s Suryananaryana & Suresh, Chartered Accountants, were appointed as Statutory Auditors of the Company for a period of Five (5) consecutive years at the AGM of the Members held on September, 27th, 2017 on remuneration to be determined by the Board of Directors. Pursuant to the amendment made by the Companies (Amendment) Act, 2017, effective from September 27th, 2017, it is no longer necessary to seek the ratification of the shareholders for continuance of the above appointment. Hence, the Company is not seeking the ratification of the shareholders for the appointment of the Statutory Auditors.
15. Members who have not encashed the dividend warrant(s) for the financial year ended March 31, 2012 onwards are requested to make their claims directly to the Company or to M/s Aarthi Consultants Pvt. Ltd. at [info@aarthiconsultants.com](mailto:info@aarthiconsultants.com) & [aarthiconsultants@gmail.com](mailto:aarthiconsultants@gmail.com), without any delay.

**Due date for transfer of unclaimed dividend to IEPF**

Year	Dividend per share (₹)	Date of declaration	Due date for transfer to IEPF	Amount of Unpaid Dividend(₹)
2012-13	2	30/09/2013	07/10/2020	1,05,452
2013-14	2	30/09/2014	07/10/2021	1,55,702
2014-15	2	29/09/2015	06/10/2022	1,78,174
2015-16	Re.0.20	30/09/2016	07/10/2023	1,93,310
2016-17	Re 0.20	27/09/2017	05/10/2024	57,563
2017-18	Re. 0.25	20/09/2018	27/09/2025	99,613
2018-19	Re. 0.25	30/09/2019	04/10/2026	1,27,001

Further it is informed to the members that pursuant to the provisions of Section 124 of the Companies Act, 2013 read with the relevant Rules made thereunder, shares on which dividend has not been paid or claimed for seven (7) consecutive years or more shall be transferred to the IEPF Authority as notified by the Ministry of Corporate Affairs.

Members who have not encashed their dividend warrants are requested to make their claims to RTA (info@aarthicconsultants.com) or Company (info@smspharma.com).

#### 16. Process and manner for members voting through Electronic means:

- a) Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended), Regulation 44 of Listing Regulations (as amended), and the MCA Circulars, the Company is providing facility of remote e-voting to its members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited ("CDSL") as the authorised e-Voting agency for facilitating voting through electronic means. The facility of casting votes by members using remote e-voting as well as e-voting system on the date of the AGM will be provided by CDSL.
- b) Members whose names are recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the Cut-off date i.e. **Friday, September 18, 2020**, shall be entitled to avail the facility of remote e-voting as well as e-voting system on the date of the AGM. Any recipient of the Notice, who has no voting rights as on the Cut-off date, shall treat this Notice as intimation only.
- c) A person who has acquired the shares and has become a member of the Company after the dispatch of the Notice of the AGM and prior to the Cut-off date i.e. Friday, September 25, 2020 shall be entitled to exercise his/her vote either electronically i.e., remote e-voting or e-voting system on the date of the AGM by following the procedure mentioned in this part.
- d) The remote e-voting will commence on **Sunday, September 27, 2020 at 9.00 a.m. and will end on Tuesday, September 29, 2020 at 5.00 p.m.** During this period, the members of the Company holding shares either in physical mode or in demat mode as on the **Cut-off date i.e., Friday, September 18, 2020** may cast their vote electronically. The members will not be able to cast their vote electronically beyond the date and time mentioned above and the remote e-voting module shall be disabled for voting by CDSL thereafter.
- e) Once the vote on a resolution is casted by the member, he/she shall not be allowed to change it subsequently or cast the vote again.
- f) The voting rights of the members shall be in proportion to their share in the paid up equity share capital of the Company as on the **Cut-off date i.e., Friday, September 18 2020**.
- g) The Company has appointed Mr. C. Sudhir Babu, Practicing Company Secretary, (Proprietor, CSB Associates) to act as the Scrutinizer for conducting the remote e-voting process as well as the e-voting system on the date of the AGM, in a fair and transparent manner.

#### 17. Note for Non – Individual Shareholders and Custodians

- a) Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
- b) A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- c) After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.

- d) The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- e) A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- f) Alternatively, Non Individual shareholders are required to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company, if voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.
- g) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or call 1800225533.

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Nitin Kumar (022-23058738)/Mr. Mehbaob Lakhani (022-23058543) or Mr. Rakesh Dalvi (022-23058542, Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or call 1800225533.

#### 18. Process for those members whose email ids are not registered:

- a) For members holding shares in Physical mode - please provide necessary details like Folio No., Name of shareholder by email to [info@smspharma.com](mailto:info@smspharma.com) and [info@aarthiconsultants.com](mailto:info@aarthiconsultants.com)
- b) Members holding shares in Demat mode can get their e-mail id registered by contacting their

respective Depository Participant or by email to [info@aarthiconsultants.com](mailto:info@aarthiconsultants.com)

(Detailed procedure in this regard is laid down in our intimation to Stock Exchange(s) by the name of “**Request to Shareholders to Register Email Address**” on 17<sup>th</sup> July, 2020)

#### 19. The instructions for shareholders for remote e-voting are as under:

- a) The voting period begins on **Sunday, September 27, 2020 at 9.00 a.m. and ends on Tuesday, September 29, 2020 at 5.00 p.m.** During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. **September 18, 2020** may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- b) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting.
- c) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- d) Click on **Shareholders**.
- e) Now Enter your User ID
- For CDSL: 16 digits beneficiary ID,
  - For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - Members holding shares in Physical Form should enter Folio Number registered with the Company.
- f) Next enter the **Image Verification** as displayed and Click on **Login**.
- g) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any Company, then your existing password is to be used.
- h) If you are a first time user follow the steps given below:

### For Members holding shares in Demat mode and Physical mode

PAN : Enter your 10-digit alpha-numeric \*PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)

\*Members who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number indicated in the PAN field.

Dividend Bank Details OR Date of Birth (DOB) : Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company records in order to login.

If both the details are not recorded with the depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).

- a) After entering these details appropriately, click on **“SUBMIT”** tab.
  - b) Members holding shares in physical mode will then directly reach the Company selection screen. However, members holding shares in demat form will now reach **‘Password Creation’** menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password can also be used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
  - c) For Members holding shares in physical mode, the details can be used only for e-voting on the resolutions contained in this Notice.
  - d) Click on the **EVSN** of the Company.
  - e) On the voting page, you will see **“RESOLUTION DESCRIPTION”** and against the same the option **“YES/NO”** for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution
  - f) Click on the **“RESOLUTIONS FILE LINK”** if you wish to view the entire Resolution details.
  - g) After selecting the resolution, you have decided to vote on, click on **“SUBMIT”**. A confirmation box will be displayed. If you wish to confirm your vote, click on **“OK”**, else to change your vote, click on **“CANCEL”** and accordingly modify your vote.
  - h) Once you **“CONFIRM”** your vote on the resolution, you will not be allowed to modify your vote.
  - i) You can also take a print of the votes casted by clicking on **“Click here to print”** option on the Voting page.
  - j) If a demat account holder has forgotten the login password, then Enter the User ID and the image verification code and click on **Forgot Password** and enter the details as prompted by the system.
  - k) Shareholders can also cast their vote using **CDSL’s mobile app m-Voting**. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting through your mobile.
- 20. The instructions for shareholders voting on the day of the AGM on e-voting system are as under:**
- a) The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.

- b) Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available in the AGM.
- c) If any Votes are casted by the members through the e-voting available during the AGM and if the same members have not participated in the meeting through VC/OAVM facility, then the votes casted by such members shall be considered invalid as the facility of e-voting during the meeting is available only to the members participating in the meeting.
- d) Members who have voted through remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
21. The results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.smspharma.com](http://www.smspharma.com) and on the website of CDSL i.e. [www.cdslindia.com](http://www.cdslindia.com) within three days of the passing of the Resolutions at the 32<sup>nd</sup> AGM of the Company and shall also be communicated to the Stock Exchanges where the shares of the Company are listed.
22. **Instructions for members for attending the AGM through VC/OAVM is as under:**
- a) Members will be provided with a facility to attend the AGM through VC/OAVM or view the live webcast of AGM through the CDSL e-Voting system. Members may access the same at [www.evotingindia.com](http://www.evotingindia.com) under shareholders'/ members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.
- b) Members are encouraged to join the Meeting through Laptops for better experience.
- c) Further, Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
- d) Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
- e) For ease of conduct, members who would like to ask questions may send their questions in advance **at least two(2) days before** AGM mentioning their name, demat account number / folio number, email id, mobile number at [info@smspharma.com](mailto:info@smspharma.com) and to register themselves as a speaker. Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM.
- f) Since the AGM will be held through VC/OAVM, the Route Map is not annexed in this Notice.

**CONTACT DETAILS:**

- Company : **SMS Pharmaceuticals Limited**  
Phone: 40-25259999  
Email : [info@smspharma.com](mailto:info@smspharma.com) / [cs@smspharma.com](mailto:cs@smspharma.com)
- Registrar and : **Aarthi Consultants Private Limited** Phone: 040-27638111 / 27642217 / 27634445  
Transfer Agent Email: [info@arthiconsultants.com](mailto:info@arthiconsultants.com)
- e-Voting Agency : **Central Depository Services (India) Limited**  
E-mail : [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com)  
Phone : +91-22-22723333/8588
- Scrutinizer : **Mr. C. Sudhir Babu, Practicing Company Secretary**  
Phone: 7981191458 / 9493676368  
Email : [csbassociates27@gmail.com](mailto:csbassociates27@gmail.com)

## ANNEXURE TO NOTICE:

### Explanatory statement pursuant to section 102 of the Companies Act, 2013 and Regulation 36 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

#### Item No: 4

Based on the recommendations of the Nomination and Remuneration Committee, the Board appointed Mr. Vamsi Krishna Potluri as an Additional Director of the Company, effective June 5<sup>th</sup>, 2020 pursuant to the provisions of Section 161 of the Companies Act, 2013, Mr. Vamsi Krishna Potluri will hold office up to the date of the ensuing Annual General Meeting and is eligible to be appointed as a Director of the Company. The Company has, in terms of Section 160(1) of the Act, received a notice in writing from a member, proposing the candidature of Mr. Vamsi Krishna Potluri for the office of Director, liable to retire by rotation.

The Company has received the following from Mr. Vamsi Krishna Potluri:

- Consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment and Qualifications of Directors) Rules, 2014;
- Intimation in Form DIR-8 in terms of the Companies (Appointment and Qualifications of Directors) Rules, 2014, to the effect that he is not disqualified under Section 164(2) of the Act and
- Declaration pursuant to BSE Circular No. LIST/COMP/14/2018-19 dated June 20, 2018, that he has not been debarred from holding office of a Director by virtue of any Order passed by Securities and Exchange Board of India or any other such authority.

The profile and specific areas of expertise of Mr. Vamsi Krishna Potluri are provided to this Notice. Board of Directors recommends the said resolution for your approval by passing an **Ordinary Resolution**.

Mr. Ramesh Babu Potluri and his relatives are deemed to be concerned or interested in this resolution. None of the other Directors or key managerial personnel or their relatives is, in anyway, concerned or interested in the resolution set out at Item No. 4 of the accompanying Notice.

#### Item No: 5

The Board on the recommendations of the Nomination & Remuneration Committee in its meeting held on June 5<sup>th</sup>, 2020 approved the appointment of Mr. Vamsi Krishna Potluri (DIN: 06956498) as the Whole-Time Director (WTD), designated as Executive Director of the Company for a period of 5 (five) consecutive years effective from 1<sup>st</sup> July, 2020, subject to the approval of the Members. He is associated with the Company as Senior Vice-president (marketing) since June 10, 2017 at a monthly remuneration of ₹ 5,50,000 (Rupees Five lakhs fifty thousand only), which is within the limits prescribed under Section II of Schedule V of the Companies Act, 2013.

The provisions of section 188(1) of the Companies Act, 2013 read with Rule 15(3)(b) require a Company to obtain prior approval of the Board of Directors and in case any related party holds an office or place of profit in the company then approval of the shareholders by passing Special Resolution is also required.

Considering the rich experience of Mr. Vamsi Krishna Potluri, the Nomination & Remuneration Committee along with the Board recommends his appointment as WTD so that Company can benefit from his insights and global perspective in terms of Section 197, 198, Schedule V and any other applicable provisions of the Companies Act, 2013, at the terms and conditions as set out below:



Salary	: ₹ 5,50,000 (Rupees Five Lakhs Fifty thousand only) per month
Housing	: Rent Free Accommodation: If no accommodation is provided by the Company, he shall be entitled to House Rental Allowance for an amount of ₹ 1.50,000 (₹ One lakh fifty thousand only) per month.
	: Actual expenses pertaining to maintenance of accommodation, Gas, Electricity, Water and other utilities will be / reimbursed by the Company.
	: The Company shall provide such furniture, furnishings, domestic servant and security guards at his residence as may require.
Provident Fund, Gratuity	: Company's contribution to the Provident Fund and payment of Gratuity shall be as per the Rules of the Company.
Medical Reimbursement	: Reimbursement of actual medical expenses incurred in India and abroad for self and dependent family members.
Medical Insurance	: Premium will be paid by the Company as per the Company's Policy,
Leave Travel Allowance (LTA)	: LTA will be paid once in a year for one month salary, as per Rules of the Company.
Leave Encashment	: As per the rules of the Company.
Personal accident Insurance	: The premium shall not exceed ₹ 25,000/- per annum.
Club Membership	: Subscription or reimbursement of membership fees (excluding admission and life membership) for two clubs.
Keyman Insurance Policy	: Benefits if any, assigned
Other allowances	: as may be decided by the Board/ nomination and remuneration committee from time to time, subject to the provisions of the Companies Act, 2013

**Explanation:**

- i) Perquisites shall be evaluated as per the Income-tax Rules, wherever applicable and in the absence of any such rule, Perquisites shall be evaluated at actual costs.
- ii) Family mentioned above means the spouse, dependent parents and dependent children of the Director as mentioned in the applicable rules or schemes.

**Commission:**

Commission payable as percentage of profits as may be decided by the Board of Directors from time to time.

**Amenities:**

- i) Conveyance facility: The Company shall provide a Car with Driver.
- ii) Communication facilities: The Company shall provide Telephone, Cell Phone, Internet, and other communication facilities at Director's residence.
- iii) Travelling expenses actually incurred on travelling and boarding and lodging for self and also spouse and attendant, if required accompanying him during domestic and overseas business trips



**Explanation:**

The following shall not be included for the purpose of computation of Directors' remuneration and perquisites as aforesaid:

1. Company's contribution to the Provident Fund and Superannuation Fund.
2. Gratuity payable pursuant to the rules of the Company.
3. Encashment of Leave.
4. Amenities as mentioned above. This may also be considered and treated as Abstract of the terms of appointment and Memorandum of Interest under Section 190 of the Companies Act, 2013.

Further, pursuant to the provisions of Sections 197 and Schedule V as applicable and other applicable provisions, if any, of the Companies Act, 2013, the said terms & conditions of remuneration shall be placed for the approval of the Shareholders in the Annual General Meeting. Therefore, the Board of Directors of your Company recommends the passing of **Special Resolution** in the ensuing general meeting.

Mr. Vamsi Krishna Potluri, himself and his father Mr. Ramesh Babu Potluri, Chairman & Managing Director of the Company along with his relatives are deemed to be concerned or interested in this resolution. None of the other Directors or key managerial personnel or their relatives is, in anyway, concerned or interested in the resolution set out at Item No. 5 of the accompanying Notice.

**Item No. 6**

Purchase and sale of products/ by-products/ material at arm's length price from R. Chem (Somanahalli) Private Limited. Sales and purchase of products/by-products/material at arm's length price to VKT Pharma Private Limited and SMS Lifesciences India Limited.

A detail description of the same as set out in form AOC -2 of Board's Report of this Annual Report.

The Board recommends the resolution for approval of the members.

Except Mr. Ramesh Babu Potluri (Chairman and Managing Director) and Mr. TVVSN Murthy (Director) none of the other Directors, Key Managerial Personnel is, in any way, concerned or interested, financially or otherwise, in this resolution.

**Item No. 7**

The Board, on the recommendations of the Audit Committee has re-appointed the Cost Auditor Mr. K.S.N. Sarma, to conduct the Audit of the cost records of the Company for the Financial Year 2020-21.

In terms of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules 2014, the remuneration of the Cost Auditor needs ratification from the members of the Company. Accordingly, consent of the members is accorded, for ratification of the remuneration payable to the Cost Auditor for the financial year ending 31<sup>st</sup> March, 2020 as set out in the Notice.

The Board recommends the resolution for approval of the members.

None of the Directors/ Key Managerial Personnel/ their relatives is, in any way, concerned or interested, financially or otherwise, in this resolution.

**Details of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting.**

[In pursuance of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.]

**1) Mr.TVVSN Murthy**

Brief profile and Nature of Expertise in Specific Functional Areas:

Mr. TVVSN Murthy is a Graduate in Chemistry having expertise in the field of Organic Chemistry and has a rich experience in bulk drug and pharmaceutical industry. He started his career in 1981 with Standard Organics Limited, Hyderabad, as a chemist in R & D. During this period he was instrumental in developing technologies and processes for several bulk drugs. He was actively involved in commercialization of products by scaling up the laboratory-scale process to pilot plant and up to commercial scales.

In 1984, he joined Cheminor Drugs Limited (Group of Dr. Reddy's Laboratories Limited), Hyderabad as Production Manager. He played a major role in substantial development of production and turnover. He played a key role in getting US FDA approval for Cheminor Drugs Limited. As a production Manager, he contributed a lot in process improvement and cost reduction procedures and to increase labor productivity by motivation.

Inter-se relationship between Directors:

None of the directors is related to Mr. TVVSN Murthy

Directorship/ Committee Membership in Listed Companies:

Mr. TVVSN Murthy is the Director of SMS Pharmaceuticals Limited and also in the SMS Life Sciences India Limited. He is also one of the members of "Stakeholders Relationship Committee" in SMS Pharmaceuticals Limited and SMS Lifesciences India Limited, also Chairman of "Corporate Social Responsibility Committee" of SMS Lifesciences India Limited.

No. of Shares held in the Company:

As on 31<sup>st</sup> March, 2020, Mr. TVVSN Murthy held 54,67,000 shares in the SMS Pharmaceuticals Limited.

## 2) **Mr. Vamsi Krishna Potluri**

**Mr. Vamsi Krishna Potluri** is the eldest son of Mr. Ramesh Babu Potluri, Chairman and Managing Director, SMS Pharmaceuticals Ltd. He is the chip of the old block being bought up with same values and virtues which made Mr. Ramesh Babu Potluri a successful but humble human being. He had the privilege of dotting and guiding parents and has been learning from them in being humble and inheriting all the characteristics to be a successful second generation technocrat.

**Mr. Vamsi Krishna** had his schooling from Hyderabad and after his intermediate education joined BITS Pilani Dubai Campus for his Bachelor's in Engineering in EEE. He was a meticulous student and passed out with flying colours. As part of his BE, he has done his internship in Julphar, one of the biggest Pharma companies in Middle East and owned by the Royal family of Ras Al Khaimah. He worked in their Electrical Engineering department working on ideas to increase the efficiency of the formulation equipment leveraging on what he learnt in his BE and incorporating latest technologies to increase the equipment efficiency.

In his limited internship for just 6 months, he could implement few of his ideas successfully and moved on for his higher education. He has done his Masters in Engineering Management from Missouri University of Science & Technology-Rolla. He had exposure to subjects like Lean manufacturing; finance and cash flow management etc. which will keep him in a good stead going forward in managing Pharma industry.

He joined Ohm Labs which is a biggest manufacturing hub of Ranbaxy in US in the supply chain group and had hands on experience in managing the supply chain to ensure hassle free manufacturing schedules. After working for 1 year with exposure in almost all areas of the operations, he joined family business.

SMS pharmaceuticals Ltd as Vice President - Operations in the year 2014. Took charge of the operations of unit II and was instrumental in planning the business growth of the unit from 50 Crores to 100 crores in a span of 5 years without any capital investment or expansion but realizing the full potential of a limited capacity manufacturing facility through his optimization and marketing skills.

He was also drafted in to the core management team to drive the joint venture with a European partner chemo and was instrumental in development of 8 products under the JV which were developed in the R&D center and got commercialized in vizianagaram facility. In this process, he was regularly visiting and interacting with the R&D teams, motivating them and providing guidance in successfully churning out products in stringent time frames. He is currently involved in management of R & D as well apart from his regular role heading the marketing department in SMS pharmaceuticals Ltd.

He is a director on Board of VKT Pharma which is a Associate concern of SMS pharmaceuticals Ltd manufacturing finished formulations and has been driving its entire operations since 2015. He has been successful in getting market authorization for Ranitidine tablets in US market and has completed a joint venture with US based company, ACIC Pharmaceuticlas developing 4 products with them and commercializing them successfully which are now driving revenues of VKT.

Mr.Vamsi Krishna has proved his management credentials and capabilities in multiple areas within a short span of time under guidance of Mr. Ramesh Babu Potluri. His attitude and man and resources management skills have kept the company in good stead since he joined the organization and believes in hands on approach inculcating the modern business traits with old and established virtues and is poised to take the company to greater heights.

**Inter-se relationship between Directors:** Mr. Vamsi Krishna Potluri is related to Mr. Ramesh Babu Potluri Chairman & Managing Director.

Directorship/ Committee Membership in Listed Companies:

Is a Director in VKT Pharma Private Limited

**No. of Shares held in the Company:**

As on 31<sup>st</sup> March, 2020, Mr. Vamsi Krishna Potluri held 48,10,590 shares in the SMS Pharmaceuticals Limited.

**Brief profile and Nature of Expertise in Specific Functional Areas**

The brief particulars of the Directors and the names of the Companies in which the directors hold directorships and chairmanships of the Board /Committees and their shareholding in the Company are provided below:

Name of Director	Mr. TVVSN Murthy	Mr. Vamsi Krishna Potluri
Date of Birth	10-02-1960	15.08.1988
Date of Appointment	11-12-2003	05-06-2020
Qualification	B.Se - Chemistry	Graduate from Bits Pilani, Dubai and completed masters in engineering management from Missouri University of Science and Technology in United States
Expertise in Specific functional areas	Expertise in the field of Organic Chemistry and has a rich experience in bulk drugs and pharmaceutical industry	Currently looking after the operations in SMS Pharmaceuticals Limited as Senior-Vice President (Operations) of the Company. Before joining SMS, worked for OHM Laboratories in supply chain to better understand the International Market.
No. of shares held	54,67,000 shares	48,10,590 Shares

Name of Director	Mr. TVVSN Murthy	Mr. Vamsi Krishna Potluri
List of Companies in Which Directorship held as on 31/03/2020	SMS Pharmaceuticals Limited SMS Lifesciences India Limited Mahi Drugs Private Limited	VKT Private Limited
Chairman / Member of the Mandatory committees of the Board of the Companies on which he is director as on 31.03.2020	1. Non-Executive - Director of the Board 2. Member - of Stake holders relationship committee 3. Member – of Nomination and Remuneration Committee	NA

**Notes:**

1. The Directorships, Committee memberships and Chairmanships do not include unlisted Companies and Private Companies, position as an advisory Board Member and position in Companies incorporated under Section 8 of Companies Act, 2013.
2. Information pertaining to the remuneration paid to the directors who are being appointed / re-appointed and the number of Board Meetings attended by them during the year 2019-20 have been provided in the Corporate Governance Report forming part of the Annual Report.

By the order of the Board

**Ramesh Babu Potluri**

Chairman and Managing Director  
(DIN:00166381)

Place: Hyderabad  
Date: 05-06-2020

**Venu of AGM Corporate Office**

Regd.off : SMS Pharmaceuticals Limited Plot No. 72, H.No. 8-2-334 / 3 & 4, Road No. 5,  
Opp. SBI Executive Enclave, Banjara Hills,  
Hyderabad – 500034 Telangana, India.



## BOARD'S REPORT

To  
The Members of  
SMS Pharmaceuticals Limited.

Your Directors are pleased to present the 32<sup>nd</sup> Annual Report of SMS Pharmaceuticals Limited ("The Company") along with the audited financial statements for the financial year ended 31<sup>st</sup> March, 2020. The Consolidated performance of the Company has been referred to wherever required.

### FINANCIAL SUMMARY

(INR in Lakhs)

Particulars	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
Gross Sales	43307.54	44813.59	43307.54	44813.59
Net Sales	39409.09	41076.28	39409.09	41076.28
Other Operating Income	460.16	308.73	460.16	308.73
Net Revenue from Operations	41194.69	46491.08	41194.69	46491.08
Other Income	511.34	340.31	511.34	340.31
EBIDTA	8503.34	9350.05	8503.34	9350.05
Finance Charges	1221.14	1187.34	1221.14	1187.34
Depreciation	2206.64	1927.29	2206.64	1927.29
Profit Before Tax	5075.56	6235.43	5075.56	6235.43
Taxation	1806.71	2090.08	1806.71	2090.08
Profit After Tax	3268.85	4145.35	3268.85	4145.35
Earnings per share - Basic/Diluted	3.86	4.90	3.73	4.73

### STATE OF COMPANY AFFAIRS

#### In Financial & Production terms

During the year 2019-20 the Company had achieved production of 471 M.T. of APIs and their Intermediates in comparison with 501 M.T for the FY 2018-19. The net sales of the Company for the year 2019-20 have reached 41,076.03 lakhs as against 40,080 lakhs for the year 2018-19. The Company has achieved an EPS of ₹ 3.86 in the FY 2019-20 as against ₹ 4.90 in the year 2018-19.

#### Subsidiaries and Associates

Your Company is having one associate company i.e., "VKT Pharma Private Limited". Your Company is holding 42.62% equity shares in the said associate company and the share of Profit / (loss) for your company for the financial year 2019-20 was ₹ 111.48 lakhs.

The consolidated financial statements had been prepared as per Accounting Standard (AS) 23 "Accounting for Investment in Associates in Consolidated Financial

Statements" specified under Section 133 of Companies Act, 2013 for considering the financials of Associate Company. The required form, as per the provisions of the Sec. 129(3) read with rule 5 of Companies (Accounts) Rules, 2014 i.e., AOC-I forms part of the Report as Annexure I.

#### CHANGE IN NATURE OF BUSINESS

As per the requirements of Rule 8 (5) (ii) of Companies (Accounts) Rules, 2014, your Board of Directors specify that, there is no significant change in the nature of business of the Company during the last financial year.

#### COVID - 19

The world is facing an unprecedented challenge in this century with Corona Virus (COVID - 19). World Health Organization (WHO), Geneva has been guiding the world in handling COVID - 19 and has finally declared on 11<sup>th</sup> March, 2020 as a Pandemic through an outbreak in China during December, 2019. The world is on tender hook (or on its toes) to stop the spread through various measures

including lock-down or work from home or isolation with the concept of social distancing. Health care professionals are struggling to manage increased COVID - 19 cases across the globe. The human being is trying to adopt a new way of life and may soon see a significant change in the lifestyle of the people post-covid-19.

As virus is novel, health regulators started screening of existing medications for the treatment. The pharmaceutical industry was categorized under essential commodities and was allowed to operate during the lockdown. At SMS Pharmaceuticals Ltd., steps have been initiated to monitor and control the operations including the travel ban, thermal screening, sanitation of cafeteria and restrooms and awareness campaigns have been conducted through video, mailers, posters, etc. During the initial period (about a week) of lockdown operations were at a slow pace due to streamlining of processes by the Government authorities for movement of materials and personnel. Post the process of relaxations, operations have started improving on a weekly basis. Sales of goods were almost normal even in the initial period of lockdown. The Company has created COVID-19 task force with internal committee members, functional heads and senior team including CFO and organized to have twice a day calls to take decisions on priority. Team SMS Pharmaceuticals Ltd., has exhibited very good team work to maintain and accelerate operations during these toughest days. There is no significant impact on operations of SMS and the Company is poised to generate growth in the operations.

## MANAGEMENT DISCUSSION & ANALYSIS

A detailed report on 'Management Discussion and Analysis' forms part of this report as **Annexure – 2**.

## SHARE CAPITAL

During the year under review, the Company had neither issued fresh equity/sweat equity shares nor any debentures, Employees Stock Option Scheme or any share based employee benefits. A report on the same viz. 'Equity Buildup Report' forms part of this report as **Annexure – 3**.

**Listing of shares:** Equity shares of the Company are listed in National Stock Exchange of India (NSE) and BSE Limited (BSE) with effect from 28<sup>th</sup> February, 2007. [Listing fees has been paid for the year 2020-21 to both the Exchanges].

## TRANSFER TO RESERVES

Your Company has transferred an amount of ₹ 1,000 Lakhs

(previous year ₹ 1,000 Lakhs) to General Reserve out of the amount available for appropriations.

## DIVIDEND

The Board has declared and paid an interim dividend for ₹ 0.25 paise per share of face value of ₹ 1/-each i.e., 25% for the Financial Year 2019-20. No final dividend is recommended.

The total dividend pay-out for the year under review amounts to ₹ 2,11,63,007/- (Rupees Two crore eleven lakhs sixty three thousand seven only).

## USFDA – APPROVAL

On 7<sup>th</sup> March, 2020 your Company has received United States Food and Drug Administration (USFDA) Approval for its exclusive testing facility of Central Laboratory Analytical Services, situated at Gagillapur Village, Medchal-Malkajgiri District, Hyderabad, Telangana – 500 043 the regulatory audit resulted in Zero Observations.

## ESTABLISHMENT INSPECTION REPORT (EIR)

On 11<sup>th</sup> March, 2020 the Company had received Establishment Inspection Report from United States Food and Drug Administration (USFDA) for the inspection conducted at API facility situated at Kandivalasa, Andhra Pradesh during the period 13<sup>th</sup> January, 2020 to 17<sup>th</sup> January, 2020.

## STRUCTURE OF THE BOARD

### Board of Directors and Key Managerial Personnel

Your Company is maintaining an optimum combination of Independent and Executive directors in the Board, who have vast experience in Pharma and other relevant fields.

As per the Articles of Association of the Company, the Directors other than the nominee and independent directors are liable to retire by rotation. Accordingly, Mr. TVSN Murthy is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, seeks reappointment. A brief profile of directors seeking reappointment is given along with the AGM Notice for the reference of the shareholders.

Mr. Vamsi Krishna Potluri (DIN: 06956498) was appointed by the Board of Directors in its Meeting held on 5<sup>th</sup> June, 2020, as an Additional Director of the Company to hold the office up to the ensuing Annual General Meeting. His appointment was based on the recommendations of the

Nomination and Remuneration Committee and upon approval of the Audit Committee. He is designated as Executive Director of the Company with effect from 1<sup>st</sup> July, 2020. His appointment is recommended before the Members of the Company for their approval.

### **Independent Directors**

In accordance with the provisions of the Section 149 (7) of the Companies Act, 2013, each independent director had confirmed to the Company that he/she meets the criteria of Independence laid down in the Section 149 (6) of the Companies Act, 2013 and Regulation 25(1) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015. All the Independent Directors of the Company have enrolled in the Independent Director databank maintained by Indian Institute of Corporate Affairs (IICA) as per Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019.

All the independent Directors of the Company have given declarations under sub-section (6) of Section 149 of the Act, and the same had been considered and taken on record by the Board.

### **Annual Evaluation of Performance of Board of Directors**

Your company had conducted a separate Meeting of Independent Directors during the year on 26<sup>th</sup> May, 2019 in which they had evaluated the performance of Executive directors and Non- Executive/Nominee Directors. Further, in the Board Meeting held on 12<sup>th</sup> August, 2019 the Board had evaluated the performance of Independent Directors and their contribution in the Board. The evaluation had been made on specified standards.

The Board of Directors has carried out an annual evaluation of its own performance, board committees and individual Directors pursuant to applicable provisions of the Act and the corporate governance requirements as prescribed by applicable regulations of Listing Regulations 2015.

The performance of the board was evaluated by the board after seeking inputs from all the Directors present in the meeting on the basis of criteria such as the board composition and structure, effectiveness of board processes, information and functioning, etc. The Nomination and Remuneration Committee has laid down the criteria for the performance of individual Directors such as the contribution of the individual Director to the board and committee meetings

like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.

### **Familiarisation Programmes for Independent Directors**

The Company has put in place a system to familiarize its Independent Directors with the Company, their roles, rights & responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. The details of such familiarization programmes are put up on the website of the Company. (<https://smspharma.com/investor-relations/download/>)

### **RISK MANAGEMENT POLICY**

In accordance with the provisions of the Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 your Company is not required to form the separate Risk Management Committee and accordingly Risk Management Policy is also not applicable to the Company.

The Company has adequate internal control systems and procedures to mitigate the financial risk (if any), arise in near future. The Risk Management procedure will be reviewed by the Audit Committee and the Board of Directors on a Quarterly basis.

### **THE CRITERIA FOR APPOINTMENT OF DIRECTORS, KMPs AND SENIOR MANAGEMENT**

A person for appointment as Director, KMP or in senior management should possess adequate qualifications, expertise and experience for the position considered for appointment. The Nomination and Remuneration Committee decides whether qualification, expertise and experience possessed by a person are sufficient for the concerned position. The Committee ascertains the credentials and integrity of the person for appointment as Director, KMP or senior management level and recommends to the Board his/ her appointment.

The Committee, while identifying suitable persons for appointment to the Board, will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

The Nomination and Remuneration Committee shall assess the independence of directors at the time of appointment; re-appointment and the Board shall assess the same annually. The Board shall re-assess determination of independence when any new interests or relationships are disclosed by a Director.



The criteria of independence are as prescribed in the Act and the listing regulations and the Independent Directors shall abide by the Code specified for them in Schedule IV of the Act.

The Nomination and Remuneration Committee has the criteria for appointing any Key Managerial Personnel (KMP) and nominating directors on the Board. During the year under review, the Committee had recommended the appointment of Mr. Vamsi Krishna Potluri as Additional Director of the Company subject to the approval of the members in the coming Annual General Meeting of the Company. The appointment of any KMP is made by the Nomination and Remuneration Committee based on the requirement of the position and experience and skill sets of the candidate.

#### **COMPOSITION & NUMBER OF MEETINGS OF THE BOARD AND AUDIT COMMITTEE**

During the year under review Five (5) meetings of the Board of Directors were held on 27<sup>th</sup> May 2019, 12<sup>th</sup> August 2019, 12<sup>th</sup> November, 2019, 12<sup>th</sup> February, 2020 and 18<sup>th</sup> March 2020. The Four (4) Meetings of the Audit Committee were held on 27<sup>th</sup> May, 2019, 12<sup>th</sup> August, 2019, 12<sup>th</sup> November, 2019 and 12<sup>th</sup> February, 2020. A detailed information required under Sec. 177(8) and 177(10) of the Companies Act, 2013 and composition of various committees is provided in 'Corporate Governance Report' forms part of this report.

#### **EXTRACT OF ANNUAL RETURN**

In accordance with the provisions of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 the extract of Annual Return is prepared in prescribed form i.e., 'Form MGT-9' as **Annexure – 7**.

#### **CERTIFICATION FROM MANAGING DIRECTOR AND CFO**

A certificate of the Managing Director and Chief Financial Officer of the Company on Financial Statements and applicable internal controls as stipulated under Regulation 17(8) of the SEBI (LODR), Regulations, 2015, is enclosed to this Report as Annexure 14.

#### **CORPORATE GOVERNANCE**

A Report on Corporate Governance as stipulated under Schedule V of the SEBI (LODR) Regulations, 2015, is enclosed as **Annexure - 5** forming part of this report. The

requisite certificate from M/s. Suryanarayana & Suresh, Chartered Accountants, confirming the compliance with the conditions of Corporate Governance is annexed to the Report on Corporate Governance.

#### **DEPOSITS**

Your Company had not accepted/ invited any deposits from the public during the year under review. As such no amount of principal or interest was outstanding as on the date of the Balance Sheet.

#### **LOANS, GUARANTEES AND INVESTMENTS**

Your Company had made investment in its associate company viz. M/s. VKT Pharma Private Limited for its business purpose. The Company holds 38,50,165 Equity shares of ₹ 10/- each in VKT Pharma Private Limited as on 31<sup>st</sup> March, 2020 as investments.

The Particulars of loans/advances given are provided in the Standalone Financial Statements.

The Company is maintaining the details of investments made during the year in Statutory Form MBP – 2. The details of loans / advances given and investments made during the financial year ended on 31<sup>st</sup> March, 2020 are provided as **Annexure-4**.

#### **RELATED PARTY TRANSACTIONS**

All contracts/arrangements/transactions entered by the Company during the financial year 2019-20 with related parties were in the ordinary course of business and on an arm's length basis and are in compliance with the provisions of the Companies Act, 2013 and the SEBI (Listing Obligation & Disclosure Requirement) Regulation, 2015. There are no materially significant related party transactions made by the Company with Promoters, Directors and Key Managerial Personnel, etc., which may have potential conflict with the interest of the Company. All related party transactions are presented to the Audit Committee on quarterly basis and were also placed before the Board.

A statement of all Related Party Transactions is being presented before the Audit Committee on Quarterly basis specifying the nature, value and terms and conditions of the transactions. A Policy on Related Party Transactions approved by the Board is uploaded on the Company's website at the web link <http://www.smspharma.com/investors/downloads/policy-on-related-party-transactions.pdf>.



The particulars of contracts or arrangements entered into by the Company with related parties referred to in Section 188(1) are kept by the Company in Statutory Form AOC-2. Further details required to disclose as per Accounting Standard-18 (as issued and modified by ICAI) form part of the notes to the financial statements provided in the annual report. The Form AOC-2 is attached to the Report as **Annexure-5**.

### **CORPORATE SOCIAL RESPONSIBILITY**

Pursuant to Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, your Company has constituted the CSR Committee consisting of the Directors as specified in **Annexure - 5**, with the roles and responsibilities duly defined in accordance with the CSR Policy Rules. The Committee met once on 12<sup>th</sup> August, 2019 during the Financial Year 2019-20.

The average net profits of the Company during the preceding three years stands as ₹ 5,476.50 lakhs hence the Company is required to spend a sum of ₹ 109.52 lakhs towards CSR Expenditure in FY 2019-20. The detailed Report on Corporate Social Responsibility as per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014, is enclosed as **Annexure - 8** to this Report. The Company has spent an amount of ₹ 53.18 lakhs during the year 2019-20.

### **PARTICULARS OF EMPLOYEES**

Particulars of employees required to be furnished under Section 197 (12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is mentioned under 'Employees Remuneration Report' which forms part of this report as **Annexure – 9**.

None of the employees of the Company is receiving a salary of more than ₹ 8.50 lakhs per month.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION**

The information required under Section 134(3)(m) of the Companies Act, 2013 read with the applicable Rules forms part of this report as **Annexure- 10**

### **FOREIGN EXCHANGE EARNINGS AND OUTGO**

(₹ in Lakhs)

<b>Particulars</b>	<b>2019-20</b>	<b>2018-19</b>
<b>Earnings</b>		
FOB Value of Exports	9809.70	6028.82
<b>Outgo</b>		
Sales Commission	73.40	17.34
Travelling Expenses	1.54	0.18
<b>CIF Value of Imports</b>		
Raw Materials	1386.05	651.82
Capital Goods	350.81	713.06

### **AUDITORS**

#### **Statutory Auditors**

M/s. Suranarayana & Suresh, Chartered Accountants, (Firm Registration No. 00663 IS) were appointed as the Statutory Auditors of the Company to hold office for a period of five (5) consecutive years till the Conclusion of the 34<sup>th</sup> Annual General Meeting of the Company to be held in the year 2022 (subject to ratification by the members at each AGM).

In terms of first proviso to Section 139 of the Companies Act, 2013, the appointment of the Statutory Auditors shall be placed for ratification at every Annual General Meeting. However, pursuant to the Companies (Amendment) Act 2017, the requirement for ratification of Statutory Auditors appointment by members at every AGM has been omitted with effect from 7<sup>th</sup> May, 2018. The Board of Directors is empowered to fix the remuneration of the Statutory Auditor on yearly basis.

Accordingly, M/s. Suranarayana & Suresh, Chartered Accountants, will continue as the Statutory Auditors of the Company till the conclusion of 34<sup>th</sup> AGM of the Company.

#### **Internal Auditor**

The Board has appointed M/s. Adusumilli and Associates, Chartered Accountants, as an Internal Auditors of the Company for a period of three years from the Financial Year 2020-21 under Section 138 of the Companies Act, 2013, in accordance with the scope as defined by the Audit Committee.

#### **Secretarial Auditor**

Pursuant to Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of

Managerial Personnel) Rules, 2014, M/s. SVVS & Associates Company Secretaries LLP were appointed to conduct Secretarial Audit of the Company for the Financial Year ended on 31<sup>st</sup> March, 2020. Secretarial Audit Report in Form MR-3 for the financial year 2019-20 forms part of this report as **Annexure – 11**.

### **Annual Secretarial Compliance Report**

Pursuant to provisions of SEBI circular no. CIR/CFD/CMD1/27/2019 dated 8<sup>th</sup> February, 2019, the Company has obtained Annual Secretarial Compliance Report forms part of this Report as **Annexure-12** from Mr. C. Sudhir Babu, Practicing Company Secretary (Proprietor, CSB Associates) and the same was also submitted to the Stock Exchanges where the shares of the Company are listed.

### **CERTIFICATE OF NON DISQUALIFICATION OF DIRECTOR' UNDER REGULATION 34(3) OF SEBI (LODR) 2015**

The Company has obtained a certificate from Mr. C. Sudhir Babu, Practicing Company Secretary (Proprietor, CSB Associates) which forms part of this Report as **Annexure-13**, confirming that none of the Directors of the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such other statutory authority.

### **COST AUDITOR**

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, and the Companies (Cost Records & Audit) Amendment Rules, 2014, the Company maintains Cost Records. Your Board has, upon the recommendations of the Audit Committee, appointed Mr. K.S.N. Sarma (Registration No.102145 and Membership No.6875) as Cost Auditor of the Company for the financial year 2020-21. These provisions also require that the remuneration of the Cost Auditor is to be approved by the shareholders. As a matter of record, the Cost Audit Report for the year 2019-20 was filed with the Central Government within the prescribed time limit.

### **LEGAL ENTITY IDENTIFICATION NUMBER**

Reserve Bank of India has issued a mandate to obtain Legal Entity Identification Number [LEI] for entities which are having total fund based and non-fund based exposure of ₹ 5 crore and above and are dealing in Over the Counter [OTC]

derivatives market for Rupee Interest Rate Derivatives, foreign currency derivatives and credit derivatives in India. Accordingly, Company made an application with Legal Entity Identifier India Limited and received - **LEI 335800XXEADQCB7GJ514** as LEI Number from RBI.

### **FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Your Company has laid down the set of standards which enables to implement internal financial control across the organization and ensure that the same are adequate and operating effectively (1) to provide reasonable assurance that: transactions are executed in conformity with generally accepted accounting principles/standards or any other criteria applicable to such statements, (2) to maintain accountability for assets; access to assets is permitted only in accordance with management's general or specific authorization and the maintenance of the records are in reasonable detail, accurate and fairly reflect the transactions and dispositions of the assets of the company, (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets that could have a material effect on the Financial Statements.

### **POLICIES**

Company has following policies in place pursuant to applicable provisions of the Act and SEBI Listing Regulations and the same are published on the official website of the Company ([www.smspharma.com](http://www.smspharma.com)):

1. Code of Business Conduct & Ethics for Other Stake Holders
2. Code of Regulation & Prohibition of Insider Trading
3. Code of Conduct for Board & Senior Management
4. Criteria for making payment for non-executive Directors
5. Corporate Social Responsibility Policy
6. Document preservation policy
7. Familiarization program of Independent Director
8. Policy for evaluation performance of the Board
9. Policy for related party transaction
10. Policy for disclosure of material information

11. Policy for sexual harassment
12. Staff advances policy
13. Whistle blower policy
14. Policy for determination of legitimate purpose

#### **HUMAN RESOURCES / INDUSTRIAL RELATIONS**

The Human Resources Department continued to maintain cordial working relations across the spectrum of employees in the Company.

As part of its strategic initiatives, HR department has carried forward the Leadership program for the senior Management team and continued to engage them across varied programs such Blue Ocean Strategy and Creative Block-busting aimed at honing their leadership skills. The Management is also introducing Managerial effectiveness programs for the middle management group to develop the next level of Managers and Leaders in the Company.

#### **SHARE TRANSFER SYSTEM**

Pursuant to Regulation 40 of SEBI (LODR) Regulations, 2015, as amended vide Notification No. SEBI/LAD-NRO/GN/2018/24 dated 8<sup>th</sup> June, 2018 and Press Release No: 49/2018 dated 3<sup>rd</sup> December, 2018, shareholders may please note that, with effect from 1<sup>st</sup> April, 2019, transfer of shares (except transmission and transposition of shares) will be in dematerialized form only. Therefore, the shareholders are requested to dematerialize their shares in order to have a hassle-free transfer. Members can contact the Company or Company's Registrars and Transfer Agents, Aarthi Consultants Private Limited for assistance in this regard.

#### **GENERAL DISCLOSURE**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

- a) No material changes and commitments affecting the financial position of the Company between the financial year ended March 31, 2020 and the date of this report.
- b) No fraud has been reported by the Auditors to the Audit Committee or to the Board.
- c) No material and significant orders passed by the regulators or courts or tribunals impacting the going

concern status and the Company's operations in future

- d) Company has complied with the requirements of the Secretarial Standards issued by Institute of Company Secretaries of India.
- e) There are no instances where the Board has not accepted the recommendation of Audit Committee.
- f) Cost records are maintained as per the requirements of Section 148 of the Act.
- g) The extract of the Annual Return [form no. MGT -9] forms part to the Board Report as **Annexure**.

#### **WHISTEL BLOWER POLICY/VIGIL MECHANISM**

The Company has established a Vigil mechanism and formulated a Whistle Blower Policy through which all the stakeholders of the Company can report their concerns about unethical behavior, actual or suspected fraud, or violation of code of conduct and ethics policy. It also provides for adequate safeguards against victimization of director(s)/ employee(s) who avail of the mechanism and also provide for direct access to the Chairperson of the Audit Committee. The Whistle Blower Policy which has been approved by the Board of Directors of the Company has been uploaded on the Company's website (<http://www.smspharma.com/investors/downloads/whistle-blower-protection-policy.pdf>). During the year under review the Company has not received any complaint(s) under this policy.

#### **BOARD'S RESPONSE ON AUDITORS QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE:**

There are no qualifications, reservations or adverse remarks made by the Statutory Auditor, Secretarial Auditor and Cost Auditor in their reports.

#### **DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:**

Your Company has zero tolerance towards sexual harassment at the workplace and the details of sexual harassment complaints as per the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder are as follows:

No. of Complaints received : Nil  
No. of Complaints disposed-off : Not Applicable

The Company has constituted an Internal Complaints Committee for redressal of complaints and is committed to provide equal opportunities without regard to their race, caste, sex, religion, colour, nationality, disability, etc. All women associates (permanent, temporary, contractual and trainees) as well as any women visiting the Company's office/ premises or women service providers are covered under this policy. All employees are treated with dignity with a view to maintain a work environment free of sexual harassment whether physical, verbal or psychological.

### **COMPLIANCE WITH SECRETARIAL STANDARDS ON BOARD AND ANNUAL GENERAL MEETINGS**

During the year under review, the Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Board Meetings and Annual General Meetings.

### **CODE FOR PREVENTION OF INSIDER TRADING**

As per the SEBI (Prohibition of Insider Trading) Regulation, 2015, the Company has adopted a Code of Conduct of Insider Trading. The Company has appointed Mr. V. S. Venkatesh, Company Secretary of the Company as Compliance Officer for setting forth the procedures and implementation of the Code for trading in Company's Equity Shares. During the year under review, there has been a due compliance of the said Code.

### **DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the provisions of Section 134(3)(c) of the Companies Act, 2013 as amended, the Board of Directors confirm that:

1. In the preparation of the Financial Statements for the year ended 31st March, 2020 the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
2. They had selected such accounting policies as notified & modified by ICAI and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the company for that period;
3. They had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 as amended from time to time for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. The Annual Accounts had been prepared on going concern basis.
5. The Company has developed an effective mechanism for internal financial controls, it has been followed by the Company consistently; such internal financial controls are adequate and operating effectively.
6. They had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE:**

No significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

### **Acknowledgements:**

Your Directors take this opportunity to express their sincere appreciation and to thank the Customers, Shareholders, vendors, bankers, business associates, financial institutions and Central and State Governments for their consistent support and encouragement to the Company. The Board of Directors also wish to place on record its deep sense of appreciation for the dedicated and committed services by the Company's executives, staff and workers.

Your Company has been able to operate efficiently because of the culture of professionalism, creativity, integrity and continuous improvement in all functions and areas as well as the efficient utilization of the Company's resources for sustainable and profitable growth.

By the order of the Board

**Ramesh Babu Potluri**

Chairman and Managing Director  
(DIN:00166381)

Place: Hyderabad  
Date: 05-06-2020

## FORM AOC - I

### Part "A": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Sl. No.	Name of associates/Joint Ventures	VKT Pharma Private Limited
1	Latest audited Balance Sheet Date	31.03.2020
2	Shares of Associate/Joint Ventures held by the company on the year end	
	No. of Equity Shares	38,50,165 Equity Shares of ₹ 10/- each.
	Amount of Investment in Associates/Joint Venture	₹ 4,499.87 Lakhs
	Extent of Holding%	42.62
3	Description of how there is significant influence	Based on the percentage of holding in the investee Company.
4	The associate is consolidated	Financial Statement Consolidated for FY 2019-20
5	Net worth attributable to shareholding as per latest audited Balance Sheet	₹ 36,742.39 Lakhs
6	Profit/Loss for the year	
	i. Considered in Consolidation	₹ (111.48) Lakhs
	ii. Not Considered in Consolidation	

By the order of the Board

Place: Hyderabad  
Date: 05-06-2020

**Ramesh Babu Potluri**  
Chairman and Managing Director  
(DIN:00166381)

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### Pharmaceutical Industry

The pharmaceutical industry plays a unique role in improving the lives of patients. It is also one of the world's fastest growing industries and among the biggest contributors to the world economy.

Global spending on prescription medicines is forecasted to increase between 2-5% annually over the next five years, up from 955 billion dollars last year and exceed 1.1 trillion dollars overall by 2025, due to increased overall use of treatments and costlier specialty therapies.

Most developed and Pharma markets will have sluggish rates of growth in the coming years compared to the previous years. Pharma spending and growth will be subdued as health care access extensions of the last decade begin to slow down. Pharma Market is expected to witness decelerated brand growth despite an increased spending in specialty medicine as greater brand losses of exclusivity would compensate for higher new brand product spending and price and volume growth slowing

The majority of medicines used in pharma markets have large populations, but the per capita rates of usage are markedly lower than that in countries with higher average income. Globally, the pharmaceutical industry is experiencing various changes and is growing exponentially. In 2020, the pharmaceutical industry will continue its shift to value-based outcomes and a focus on gathering more real-world evidence.

Pharma markets comprised 26% of spending, which is expected to rise to 28-30% of spending in 2024. However, global growth is expected to rise moderately up to 2-5% through 2024, as both developed economies and pharma markets exhibit comparable dynamics. Mostly pharma market growth has been driven by access expansions, leading to greater volume use and adoption of more novel therapies. These include specialty medicines, which are projected to contribute more to spending than in previous periods. Specialty medicines account for 14% of spending and are expected to account for 15% of spending in 2024. Concerns over patient's out-of-pocket cost will rise as specialty product access expands, and counseling habits shift. Multinational companies need to offer value to these countries and compete with local or regional and often generic manufacturers.

### Global Economy

The year 2020 has continued to see an increase in the use of medicines as patients globally received treatment amounting to around 1.8 trillion days of therapy. Over the last decade we have seen a surge in high-priority areas like non-communicable disease. The increase in medicine use is outpacing the population and economic growth. It indicates that more patients are receiving treatment. This expansion has taken place largely in the pharma emerging markets.

The USA economy was performing well prior to the coronavirus eruption with job growth accelerating in January and February 2020, consumer spending holding up well and support of broad-based strength within the service sector. However, the outbreak has seen tourism and travel spending collapse since early March, with the widespread cancellation of business and consumer events and a sharp decline in equity prices. The impact on the US economy is likely to be considerable due to lower consumption, weaker business sentiment and lower inventory accumulation arising from combined supply shock and undermined demand. According to the International Monetary Fund (IMF), global growth in 2020 is projected to fall due to the COVID 19 and there is a substantial uncertainty about its impact on people's lives and livelihoods. The virus outbreak has interrupted manufacturing supply chains and sharply reduced energy and commodity demand.

### Outlook

Stringent containment and social distancing policies will bring economic activity to a near standstill and lead a sharp contraction in growth for the second quarter. However, if bold policy actions are adapted to bridge households and businesses through the shock, activity should return normalcy rapidly, with limited permanent economic damage. This includes severe public health measures to curb the spread of the infection, as well as co-ordinated monetary and fiscal policies to avoid disruptions that could cause lasting fiscal harm.

### Indian Economy

2020 has been a challenging year that saw the second quarter GDP growth plunge primarily due to a sharp deceleration in investment growth. Corrective measures to boost investments and infuse liquidity in the economy,

such as reducing the rate and slashing the corporate tax rate have yet to bear fruit. In India, growth softened in 2020 as economic and regulatory uncertainty, together with concerns about the health of the non-banking financial sector, weighed on demand. The Coronavirus epidemic made the recovery extremely difficult in the near to medium term. The outbreak has presented fresh disruptive impact on both demand and supply side elements, which has the potential projections for India's economic growth from its earlier forecast. RBI unleashed liquidity on the Indian banking system as it vowed to do whatever it takes to support financial markets hit by the spread of an unprecedented health emergency.

With every passing decade since 1970, India's pharmaceutical industry has gone from strength to strength in terms of broadening of scope and deepening its prowess across the industry value chain. Currently, the Indian pharmaceutical industry is the world's third largest in terms of volume and thirteen largest in terms of value with an annual revenue of about USD41 billion (Indian formulation).

India fulfills 20% of global demand for generic medicines in terms of volume and supplies over 60% of the global demand for various vaccines and Antiretroviral (ARV) Drugs. The Indian market claims share of the global industry in value and around 10% in volume terms

## OUT LOOK

Intensity and spread of the coronavirus has brought in a lot of uncertainty into the global and domestic economic outlook. The concerns have transformed from the initial impact of imports from China on the domestic supply chains, to the domestic and external demand shock. The duration of the same remains uncertain, with social distancing and lockdowns raising the prospects of production shutdowns and job losses in some sectors. A revival in domestic investment is likely to be hindered, given the increased risk aversion on a global scale, and renewed concerns about resilience of the financial sector in the near term, the negative impact of the Covid 19 outbreak on economic growth and sentiment may be modestly mitigated by higher government spending a brighter outlook for crop yields and emergency stockpiling of essential items.

## Investments

Pharma Vision 2020 by the government's Department of Pharmaceuticals aims to make India a major hub for end-to-end drug discovery. The government is planning to set

up mega bulk drug parks to reduce the industry's raw material dependence on imports. The Union Budget 2020-21 declared a slew of favorable measures like the allocation to the Ministry of Health and Family welfare has increased to dollars 65,012 Crore (\$9.40 billion).

The National Health Mission Scheme is the largest government-funded healthcare programme which is expected to benefit 7.31 million poor families in the country by providing a cover of up to D5 lacs (\$7.314.22) per family per year on floater basis in the empaneled hospitals across India.

The government has allocated 115 Crore (\$4.88 billion) towards the National Health Mission under which rural and urban people will get benefited. 400 crore (\$915.71) million has been allocated to the health insurance scheme Ayushman Bharat – Pradhan Mantri Jan Arogya Yojna.

## Government Initiatives

India is the largest provider of quality, affordable generic drugs globally and Indian pharmaceutical companies have played a vital role in improving access to affordable healthcare around the world. India is exporting medicines to 205 countries and vaccines to over 150 countries. India's pharmaceutical sales rose in March, albeit at a sluggish pace, owing to panic buying of medicines for chronic ailments, such as cardiac and diabetes amid a nationwide lockdown to combat the coronavirus pandemic. Sales growing year after year according to data a pharmaceutical market research organization. This is in line with the growth a year ago and 12.1% in February 2020. In the quarter ended March, Pharma sales grew to 9.7% year after year.

Several factors attract global pharmaceutical companies to India

Low cost of production due to cheap labour and raw material cost

Big market not only for life-saving drugs, but also for lifestyle drugs

Huge potential for conducting research and development activities in India – as there are 300 or more medical colleges, and over more than 20,000 hospitals.

Existing manufacturing capability to produce active pharmaceutical ingredients (APIs) and intermediates at lower cost while maintain quality and India has maximum number of USFDA approved plants outside US.



Ease of conducting clinical trials and bio availability and bio equivalence studies due to India's ability to provide speedier and less expensive trials without compromising on quality, and a vast patient pool product patent regime.

With competitive pressures expected to sustain in the near to medium term, companies are exiting product development of easy-to-manufacture, simple generics with multiple players and focusing on specialty drugs, complex generics, difficult-to-manufacture products with limited competition. Pharma companies are expected to continue to grow and will continue to focus on improving operational efficiency and productivity. Developments in the health insurance, medical technology and mobile telephony can help the growth of the Pharma industry by removing financial and physical barriers to health care access in India.

According to ICRA, the Indian pharmaceutical industry is likely to grow at the rate from 10% to 14% by 2021. This is expected on back of healthy demand from the domestic market, due to an increase in spending on healthcare along with improved access. The key sensitivities to growth and profitability will be regulatory interventions, such as price controls and compulsory generalization for the domestic market.

India contributes about 20% of global generics market with the Country's manufactures representing approximately a third of the US market by volume.

### **Impact of Covid 19 on the Industry**

The spread of Covid 19 has created a global healthcare crisis, and has led to an unprecedented response from people, communities and systems. Healthcare workers on the front lines are giving their all efforts to contain, treat and reduce the impact of this pandemic. The Pharmaceutical and life science industry has risen to the challenge by rapidly mobilizing to join the fight against the virus. Their support extends beyond the development of treatments and vaccines for Covid-19. Across countries, the industry offers people, expertise, and financial support to the healthcare systems with which they partner. India has banned the export of critical APIs, essential medicines, specific medical devices, sanitizers, surgical masks, and ventilators – to ensure there is no shortfall in the domestic market. Most of large pharmaceutical manufacturing companies are monitoring their supply chains and have reiterated their commitment to continued supply with minimum disruptions.

Economic impact on growth prognosis - A downturn in the economic outlook could negatively impact pharmaceutical spending in countries with high out-of-pocket medical expenditure.

Upsurge in demand for symptomatic medicines - short-term boost in volume through retail channels as the public stockpiles on analgesics and cough and cold preparations.

Travel restrictions and medical tourism – Short term negative impact on pharmaceutical markets reliant on medical tourists impact on APIs/ generics – potential API and generic shortages could lead to medium-term price increase.

Delays in non COVID treatment – Postponement of non-urgent treatment may lead to a short-term deceleration in volume growth.

Impact on innovation – A short-term negative impact on sales growth may result from postponement of new product launches

### **Export Trends**

Viewed as a high- quality generic manufacturer across the globe, India exports half of its total production of pharmaceuticals to more than 200 countries in the world. In 2017-18, India exported pharma products worth \$17.27 billion and by 2020, the industry estimates the exports to grow by 30% to reach \$ 20 billion. The US is the most profitable generics market for India's pharma industry. It is valued at around \$ 60 billion and accounts for about 25% of India's total shipment. In 2017-18, India exported about \$3.21 billion worth of generic drugs to the US, despite the tough regulatory environment in the country. With branded drugs going off patent during 2017-19, research agencies estimate the export of generic drugs to the US to rise by about \$ 55 billion.

### **Outlook:**

The Indian bulk drug industry has grown at a compound annual growth rate (CAGR) of around 8.6% over 2016-20. It is further expected to expand and grow at a CAGR of around 8.6% during 2020-24, signifying its future potential and evolving global importance. This growth will be driven by an increased focus on newer geographies in the global pharmaceuticals industry, transition to specialty segment and strong domestic demand



### **Business Outlook:**

The changing business landscape provides opportunity for innovation and technology adoption. As we embark on this journey we see immense opportunities for us in the future. As an organization, we will strive towards our aspirations without compromising on our core values. Our outlook for financial year 2021 continues to remain strong. We are confident of a strong performance through the year.

### **COMPANY'S PERSPECTIVE**

#### **Domestic API Business:**

The domestic API business continues to be an important component of SMS Pharmaceuticals Limited business. The niche molecules and the new molecules from unit VII which did not have good sales in domestic market have started moving now with many major companies starting developments and also commercial in some products. Considering India to be the Pharma capital of the world, not just the manufacturers here but even traders are very crucial as the worldwide customers rely on them for sourcing the quality products.

Once Ibuprofen gets launched in volumes, Domestic market will be very crucial and discussions and development have already been started with major consumers who are actively and eagerly looking forward to an alternate source for ibuprofen given the uncertainty over the availability for the past 2 years.

The company has built an important relationship with traders and merchant exporters who buy material from us and then export it to semi regulatory and ROW markets predominantly. We also have direct relationship with domestic formulators. SMS is known as the leading company in segments like Anti Migraine, Anti Diabetic, and Anti Retrovirals etc. SMS Pharmaceuticals Limited, given its product leadership in many of its focused product list and the GMP status has become preferred partner for Indian formulators selling their finished dosage forms into regulatory markets.

International majors like Mylan also prefer SMS as its preferred manufacturing partner to rely on not just our product range but utilize our services for their contract manufacturing requirements. SMS Pharmaceuticals Ltd will continue to focus on domestic market trying to increase the capacities to meet the rising demands for API as well as for intermediates.

#### **International Business:**

SMS is on verge of a major and exciting phase of business in the international marketing considering the launching of old but availability stressed molecule like ibuprofen and the new molecules being launched from unit VII as part of JV and the own molecules of SMS. These developments will slowly start becoming commercial in due course of time.

SMS Pharmaceuticals Limited built a slew of relationships in international business predominantly into regulatory markets given the strength of the international GMP and the trust off the customers from regulatory markets. The business model is also targeting ROW markets. However there is ever increasing requirements across the countries that are gradually becoming semi regulatory from the current ROW stage. However with a strong and experienced quality team and 25 years of operating international GMP facilities before the demerger, the company is well placed and prepared to switch over and can easily comply with the increasing requirements.

Many Drug Master Files are filed for all the API's in various countries with inspection and approval by regulatory bodies like USFDA, PMDA, EU, KFDA etc. The internal processes and documentation is sturdy enough to face any kind of inspections. In product like Sumatriptan Succinate, the company is leading exporter having market shares of up to 100% in few countries like Mexico.

The intermediate manufacturing is also flourishing with many API manufactures preferring to buy advanced intermediates due to pollution and capacity issues which is being exploited by the company in a right way and the customer list includes many majors like Mylan etc., who also take contract manufacturing services from the company.

#### **China – back on track**

India-referred to as 'pharmacy of the world' for being a leading supplier of drugs to many countries-took a hit because of the supply chain disruption as a consequence of the novel coronavirus pandemic. The outbreak in China and its spread across the world disrupted supplies to India, severely impacting the pharma industry in the last quarter of 2019-20. But China's API & Intermediate manufactures restarted their operations in April 2020 and the first consignment of raw materials touched Indian shores in the same month Imports from all Chinese provinces, barring one, have begun, with suppliers expected to increase in the coming months.

**DETAILS OF SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS, NETWORTH ALONG WITH DETAILED EXPLANATIONS THEREFOR:**

Particulars	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019	% Change	Reasons
Debtors Turnover Ratio (Days)	43.19	20.09	23.09	Increase in Debtor turnover due to increase in direct sales as against CMO
Inventory Turnover Ratio (Days)	120.86	84.38	36.48	Increase in inventory turnover due to increase in direct sales manufacturing as against CMO
Interest Coverage Ratio (Times)	7.93	8.21	-0.27	Slight down on account of decline in revenues and profitability as against corresponding year
Current Ratio	1.50	1.50	0.01	No Change
Debt Equity Ratio	0.54	0.56	-0.02	Improvement in ratio on account increase in shareholder equity
Operating Profit Margin	20.23%	19.99%	0.23%	Improvement in ratio on account of improvement in operating margins
Net Profit Margin	7.94	8.92	-0.98	Decrease in ratio on account increase tax provisions
Return on Net worth	103.19%	126.70%	-0.24	Due to decrease in revenues the ratio was declined

**Internal Control systems and their adequacy:**

The Company has in place adequate systems of internal control in commensurate with its size and the nature of operations. These have been designed to provide reasonable assurance with regards to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuing compliance of corporate policies. The Company has well-deigned manual for delegation of authority for approving revenue and expenditure. The Company uses Tally system, to record data for accounting, consolidation and management information purposes, which connects to different locations for exchange of information.

The Audit Committee reviews audit reports submitted by the internal auditors. Suggestions, for improvement are considered and the audit committee follows up on the implementation of corrective actions. The Committee also meets the Company's statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems in the Company and keeps the Board of Directors informed of its key observations from time to time.

**Research and Development**

The world has never faced such a non-war time catastrophic situation such as the one we are currently traversing

through. Every individual needs to take responsibility and play his role to perfection to come out of the current pandemic. Your company SMS being a Pharmaceutical industry, have a greater responsibility towards the society under the current crisis situation and the research team worked day and night to come out with the covid products like Hydroxy chloroquin, Favipiravir and Remedesivir.

SMS Pharmaceuticals Limited was always strong on R&D since inception as it knows the importance of development of products and then making it cost competitive is the only way of sustaining in business. Hence it does persisted research to cut the cost of its commercial products and make it affordable. After consolidating the API manufacturing with backward integration in form of intermediates manufacturing for greater affordability

SMS Pharmaceuticals Limited is committed to building a sound base for sustained growth in API and key starting Materials business through the Research & development of new products, innovative technology, process improvement, cost optimization and strengthening the compliance standards leveraging our collective R&D experience resulting in value of all stakeholders.

SMS Pharma's R&D delivers on both fronts of profitability and growth giving us a head start in the competitive industry. Scientists at company's research laboratories

are hard at work developing cost effective process for new generic APIs, meticulously documenting and testing new and improved processes to manufacture quality drug substances and drug intermediates.

The company continues to make fairly large investments for generic-related pharmaceutical research and technology. This research supports generic business across all the markets we're present in, and ensures to have a healthy pipeline for future growth.

Strong new product capability is an important part of our strategy, and R&D expertise helps company to maintain leadership position in the Indian and ROW market. This complete integration for some products works to the company's advantage. These projects may offer higher value addition and revenues.

R&D is also having very strong Intellectual property rights(IPR) department team to give continuous support to research scientist for finding out the innovation and development of non- infringing process for Generic and future generic products.

### **Quality and compliance**

We have been able to create consistent and credible track record of excellence due to our determined efforts to sustain world class infrastructure and quality standards. We follow the philosophy of 'one quality for all markets'. Across all our manufacturing sites, we have put in place quality systems that cover all areas of business process from supply chain to product delivery, to ensure consistent quality risk management.

### **Human Resources**

Pharmaceutical industry sector is facing global competition and most effected by a high attrition rate in India. Since this industry needs trained manpower who has the requisite experience to meet the compliances with statutory requirements, good manufacturing practices, good laboratory practices, QA and QC personnel along with research personnel, your company focuses on these aspects in human resources management.

Your company continuously implements its training programmes that help in identifying the potential talent from employees and sharpen their talent skills and motivating them to do right things in the right way.

At the year end the Company had 806 employees directly employed. Industrial relations continue to be peaceful and harmonious. The management has initiated various measures.

### **Safety, Health and Environment**

SMSPL is in the business of design, manufacture and supply of Bulk Drugs, Drug Intermediates & Fine Chemicals, and is committed to protect its employees, the environment and public in all phases of its business activities.

SMSPL employ's Environment Management System (EMS) to measure its progress in Safety, Health and Environment (SHE) systems, considered an integral part of its business. Under EMS, the policy provides frame work for compliance with applicable laws and regulations and commitment to the continuous improvement of Environment, personnel skills and conservation of natural resources.

### **Cautionary Statement**

The management of SMS Pharmaceuticals Ltd. has prepared and is responsible for the financial statements that appear in this report. These financial statements are in conformity with Indian Accounting Standards and Other Applicable Standards, as and when issued by the various regulatory authorities and therefore include amounts based on informed judgments and estimates. Certain statements in this report may be forward-looking statements. The Company has disclosed forward-looking information to enable investors to comprehend the prospects and take informed investment decisions. Such forward looking statements are subject to certain risks and uncertainties like regulatory changes, local, political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements.

The Company cannot guarantee that these forward-looking statements will be realized, although it believes that they have been prudent in assumptions. Important factors that could make a difference to your Company's operations include economic conditions affecting demand/ supply and price conditions in the domestic and overseas markets in which your Company operates, changes in the Government regulations, tax laws, statutes and other incidental factors. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

By the order of the Board

**Ramesh Babu Potluri**

Chairman and Managing Director  
(DIN:00166381)

Place: Hyderabad  
Date: 05-06-2020

**Equity Buildup Report**

<b>Reason of Allotment</b>	<b>Nature of payment of consideration</b>	<b>Date on which Equity Shares were allotted/ made fully paid-up</b>	<b>Number of Equity Shares allotted</b>	<b>Cumulative Equity Shares</b>
Subscription to Memorandum of Association	Cash	14-Nov-87	40	40
Further Allotment	Cash	13-Dec-88	34,960	35,000
Allotted to relatives , friends of promoters	Cash	15-Dec-88	15,000	50,000
Allotted to promoters, relatives, friends	Cash	20-Mar-89	25,000	75,000
Allotted to relatives, friends of promoters	Cash	28-Sep-89	25,000	100,000
Allotted to relatives, friends of promoters	Cash	7-May-90	22,900	122,900
Allotted to relatives, friends of promoters	Cash	7-Jun-90	27,100	150,000
Allotted to Promoters, relatives and employees	Cash	26-Mar-92	150,000	300,000
Bonus @ 8:3	Bonus	1-Nov-94	800,000	1,100,000
Allotted to Promoters	Cash	21-Nov-94	150,000	1,250,000
Allotted to employees, friends and relatives of Promotes and Promoters	Cash	30-Nov-94	350,000	1,600,000
Allotted to Corporate Body.	Cash	18-Feb-95	450,000	2,050,000
Sub – Division into ₹ 5/- per share		22-Mar-04	-	4,100,000
Bonus shares @ 1: 1	Bonus	27-Mar-04	4,100,000	8,200,000
Re-Consolidation into ₹ 10/- per share		29-Sep-04	-	4,100,000
Allotted to Shareholders of Sreenivasa Pharma Pvt. Limited after Sreenivasa Pharma Pvt Ltd. became a subsidiary of SMS Pharma Limited.	Issued for consideration Other than cash	28-Apr-06	2,923,000	7,023,000
Pre - IPO placement to Gulf Pharmaceutical Industries*	Cash	8-Jan-07	400,000	7,423,000
Issue shares to Public via IPO	cash	22-Feb-07	2,579,225	10,002,225
Balance as on		31-Mar-07	-	10,002,225
Allotment of shares to erstwhile Plant Organics Limited (POL) Shareholder's [ @ 1 share of SMS Pharmaceuticals Ltd. for every 50 shares of POL]	Issued as per exchange ratio Other than cash	29-Nov-08	12,978	10,015,203
Balance as on		31-Mar-08	-	10,015,203
Buy Back of Shares [on various dates from 28/05/2013 to 25/07/2013]	cash		(1,550,000)	8,465,203
Balance as on		31-Mar-14	-	8,465,203
Balance as on		31-Mar-15	-	8,465,203
Sub-Division into ₹ 1/- per share [Splitting of ₹ 10 face value]**	Split @ 10:1	17-Dec-15	-	84,652,030
Balance as on		31-Mar-20	-	84,652,030

Note: \*Shares allotted as per MOU dated 24.12.2006.

\*\*Record date 18.12.2015 whereas Ex-date 17.12.2015

By the order of the Board

**Ramesh Babu Potluri**

Chairman and Managing Director  
(DIN:00166381)

Place: Hyderabad  
Date: 05-06-2020

**FORM NO. MBP-2**

Register of loans, guarantee, security and acquisition made by the company  
(Pursuant to Section 186 (9) & rule 12 (1))

Nature of transaction (whether loan/ guarantee/ security/ acquisition)	Date of making loan / acquisition / giving guarantee/ providing security	Name and address of the person or body corporate to whom it is made or given or whose securities have been acquired (Listed/Unlisted entities)	Number and kind of securities		Nominal value and paid up value	Premium Paid	Cost of acquisition (in case of securities how the purchased price was arrived at)	Time period for which it is made/ given	Purpose of loan / acquisition / guarantee / security
			Kind	Number					
Acquisition of Security for investment	30-04-2016	VKT Pharma Pvt. Ltd.	Equity	55000	10	175	1,01,75,000	N.A.	For making investment in ongoing projects, taken up by associate company
	17-06-2016	VKT Pharma Pvt. Ltd.	Equity	165000	10	175	3,05,25,000	N.A.	
	26-08-2016	VKT Pharma Pvt. Ltd.	Equity	50000	10	175	92,50,000	N.A.	
	19-09-2016	VKT Pharma Pvt. Ltd.	Equity	68000	10	175	1,25,80,000	N.A.	
	27-09-2016	VKT Pharma Pvt. Ltd.	Equity	35000	10	175	64,75,000	N.A.	
	05-10-2016	VKT Pharma Pvt. Ltd.	Equity	71500	10	175	1,32,27,500	N.A.	
	19-10-2016	VKT Pharma Pvt. Ltd.	Equity	9000	10	175	16,65,000	N.A.	
	24-10-2016	VKT Pharma Pvt. Ltd.	Equity	10000	10	175	18,50,000	N.A.	
	05-11-2016	VKT Pharma Pvt. Ltd.	Equity	10600	10	175	19,61,000	N.A.	
	24-03-2017	VKT Pharma Pvt. Ltd.	Equity	310000	10	215	6,97,50,000	N.A.	
	06.04.2017	VKT Pharma Pvt. Ltd.	Equity	120000	10	215	27000000	N.A.	
	05.05.2017	VKT Pharma Pvt. Ltd.	Equity	67000	10	215	15075000	N.A.	
	23.05.2017	VKT Pharma Pvt. Ltd.	Equity	169665	10	215	38174625	N.A.	

By the order of the Board

**Ramesh Babu Potluri**

Chairman and Managing Director  
(DIN:00166381)

Place: Hyderabad  
Date: 05-06-2020

**FORM NO. AOC -2**

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

**1. Details of contracts or arrangements or transactions not at Arm's length basis: NIL**

**2. Details of contracts or arrangements or transactions at Arm's length basis**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Details</b>
	Name (s) of the related party	Mr. P. Vamsi Krishna (VP - Operations)
a)	Nature of relationship	Son of Mr. Ramesh Babu Potluri (CMD of the Company).
b)	Nature of contracts /arrangements / transaction	remuneration payable to related party under place of profit in the company
c)	Duration of the contracts/ arrangements/ transaction	12/08/2019 – 30/09/2022
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Re-appointed as Senior Vice President (Operations) of the Company at a Monthly Remuneration of ₹ 5.50 lakhs per month.
e)	Justification for entering into such contracts or arrangements or transactions	Joined the company from 09/08/2013. Under his leadership the company had established new operational setup and achieved new level of efficiencies in its operational capacity.
f)	Date of approval by the Board	12/08/2019
g)	Amount paid as advances, if any	Not Applicable
h)	Date on which the Special Resolution was passed in General meeting as required under first proviso to section 188	He has been appointed has Senior Vice President in the 31 <sup>st</sup> Annual General Meeting held on 30 <sup>th</sup> September, 2019.

Sl. No	Particulars	Details	Details	Details
	Name (s) of the related party	R. Chem (Somanahalli) Private Limited	VKT Pharma Private Limited	SMS Life Sciences India Limited
a)	Nature of relationship	1. Mr. Suresh Babu Potluri, Managing Director is brother of Mr. Ramesh Babu Potluri. 2. Mr. TVVSN Murthy, Director of the company, is a major shareholder.	Common Directors & Associate Company	1. Mr. Ramesh Babu Director 2. Mr. TVVSN Murthy Managing Director of the Company.
b)	Nature of contracts/arrangements/transaction	A. Purchase of by product in the ordinary course of business B. Sale of materials in the ordinary course of business	Purchases in the ordinary course of business. Sales in the ordinary course of business.	Sale & purchase of materials in the ordinary course of Business
c)	Duration of the contracts/arrangements/transaction	Transactions done during FY 2019-20.	Transactions done during FY 2019-20.	Transactions done during FY 2019-20
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Total amount of Purchase was ₹ 20,10,899/- Total amount of Sale was ₹ 15,93,000/-	Total amount of Purchase was ₹ 1,062/- Total amount of Sale was ₹ 14,94,51,370 /-	Purchase: total amount of purchase of ₹ 19,84,80,265 /- Sales: Total amount of was ₹ 73,39,245/-
e)	Justification for entering into such contracts or arrangements or transactions'	Transactions are made at prevailing market rate in the ordinary course of business.	Transactions are made at prevailing market rate in the ordinary course of business.	Transactions are made at prevailing market rate in the ordinary course of business
f)	Date of approval by the Board	26/05/2019; 12/11/2019; 12/02/2020	26/05/2019; 12/08/2019; 12/02/2020	26/05/2019; 12/08/2019; 12/11/2019; 12/02/2020
g)	Amount paid as advances, if any	Not Applicable	Not Applicable	Not Applicable

By the order of the Board

**Ramesh Babu Potluri**  
Chairman and Managing Director  
(DIN:00166381)

Place: Hyderabad  
Date: 05-06-2020

## REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate governance is about internalizing and manifesting a firm commitment to the adoption of best practices across the Company to deliver value in its dealings with a wide group of stakeholders encompassing associates, customers, vendors, regulators and shareholders at all time. It is the evolution of a system by which the values, principles, management policies and procedures of the company are inculcated.

It is in this background that the company endeavors to embrace and imbibe good governance practices. The Company believes that corporate governance is an integral means for the existence of the Company. It ensures adherence to the moral and ethical values, legal and regulatory frame work and the adoption of good practices beyond the realms of law.

Good corporate governance is an intrinsic part of the Company's fiduciary responsibility as a responsible citizen. As such, the emphasis is on transparency of operations. The Company recognizes that to attract, meet and surpass the expectations of global investors, statutory disclosures and reporting norms are not sufficient and voluntary adherence to best international disclosures is essential.

Corporate Governance in the Company is predicated upon an ethos of transparency, accountability, fairness and overall sustainability. It aims at the following:

- Fulfilling long term strategic goals.
- Maintain excellent relations with customers and suppliers
- Taking care of the interests of the associates
- Caring for environment and local community
- Complying with all applicable laws and regulatory requirements

### Good Governance Policies

The Company constantly strives to conduct its business and strengthen its relationships in a dignified, distinctive and responsible manner. The Company lives by the ethos of Values FIRST– Fairness, Integrity, Respect, Sincerity and Transparency in all its operations and dealings. Towards this, the Company has adopted several polices and guidelines for ethical and transparent operation. These include

- Code of conduct for board of directors and senior management
- Code of conduct for prevention of insider trading
- Prevention of Sexual harassment policy
- Minimum standards for code of conduct regulation to regulate monitor and report trading by designated employees.
- Whistle blower policy
- Archival Policy
- Code of practice and procedures for fair disclosure
- Policy on Related Party Transactions.
- Code of business conduct and ethics for other stakeholders.



### **Compliances with SEBI Regulations on Corporate Governance**

The Company complies with the Corporate Governance provisions as specified in chapter IV of the SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015. The Company lives by the principles of corporate governance and implements them in a manner so as to achieve the following avowed objectives.

#### **Rights of shareholders**

- Right to participate in, and to be sufficiently informed of, decisions concerning fundamental corporate changes.
- Opportunity to participate effectively and vote in general meetings
- Opportunity to ask questions to the Board of Directors, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable and statutory limitations.
- Adequate mechanism to address the grievances of the shareholders
- Exercise of ownership rights by all shareholders including institutional investors

#### **BOARD OF DIRECTORS:**

The Board is accountable to shareholders and other stakeholders and is responsible for protecting and generating sustainable value over the long term. In fulfilling its role effectively the board of directors of the Company

- Guide, review and approve corporate strategy and financial planning, including major capital expenditures, acquisitions and divestments.
- Monitor the effectiveness of the company's governance practices, environmental practices, and social practices, and adhere to applicable laws;
- Embody high standards of business ethics and oversee the implementation of codes of conduct that engender a corporate culture of integrity;
- Oversee the management of potential conflicts of interest, such as those which may arise around related party transactions.
- Oversee the integrity of the Company's accounting and reporting systems, its compliance with internationally accepted standards, the effectiveness of its systems of internal control and independence of the external audit process.
- Conduct an objective board evaluation on a regular basis, consistently seeking to enhance board effectiveness.

The role of the board includes responsibility for entrepreneurial leadership, strategy, securing the necessary financial and human resources and performance review. The Board also sets the company's values and standards, and ensures it meets its obligations to shareholders and others.

#### **GOVERNANCE STRUCTURE**

The Corporate Governance structure of the Company is as follows:

1. **Board of Directors:** The Board is entrusted with an ultimate responsibility of the management and performance of the Company. As its primary role is fiduciary in nature, the Board provides leadership, strategic guidance, objective and independent view to the Company's Management while discharging its responsibilities, thus ensuring that the management adheres to ethics, transparency and disclosures.
2. **Committees of the Board:** The Board of Directors has constituted various Board Committees to deal with specific areas and activities which concern the Company and requires a closer review. The Board Committees are formed with approval of the Board and function under their respective Charters. These Committees play an important role in the overall management of day-to-day affairs and governance of the Company. The Board Committees meet at regular intervals and take necessary steps to perform its duties entrusted by the Board. The Minutes of the Committee meetings are placed before the Board for noting.

### A. Composition of Board

The Board of Directors of your Company consists of individuals having considerable professional expertise and a wide range of experience in their areas of specialization. The Company has an optimum combination of Executive, Non-executive and Independent Directors on its Board which is in conformity with the Companies Act, 2013 and SEBI Listing Regulations.

As on 31<sup>st</sup> March, 2020 the Company's Board consists of Seven (7) members. Mr. P.S.Rao has resigned from the Board with effect from 10<sup>th</sup> August, 2019 and Mr. Sarvepalli Mr.nivas has been appointed as Additional Director and has been and has been appointed as Independent Director with effect from 30<sup>th</sup> September, 2019 in the 31<sup>st</sup> Annual General Meeting of the Company. At present the number of 7 (Seven) members out of which majority are independent Directors, who are leading professionals in their respective fields. The Board comprises of one (1) Executive Director who is a Promoter Director and one (1) nominee Director. The composition of the Board is in conformity with Regulation 17 of the SEBI Listing Regulations read with Section 149 of the Companies Act, 2013. None of the Directors is related to each other. The Board consists of two women directors, one Independent Director as required under Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014 and also a Nominee Director appointed by the EXIM Bank of India.

In accordance with the provisions of the Sec. 165 of the Companies Act, 2013 none of the Directors on the Board hold directorships in more than ten (10) public companies. Further, as per Regulation 26(1) of the SEBI Listing Regulations none of them is a member of more than ten (10) committees or Chairman of more than five (5) committees across all the public companies in which they are Directors. Necessary disclosures regarding Committee positions in other public companies as on 31<sup>st</sup> March, 2020 have been made by the Directors.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other public companies as on 31<sup>st</sup> March, 2020 are given herein below. Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Act. The Chairmanships/ Memberships of Board Committees shall only include Audit Committee and Stakeholders' Relationship Committee:

Name of Director & Designation	DIN.	Category* (Designation)	No. of Board Meetings during the Year 2018-19		Attended Last AGM 30.09.19	No. of Directorships in other Public Companies and category	No. of Committee Position held in Public Companies (including this company)	
			Held	Attended			Chairman	Member
Mr. Ramesh Babu Potluri (Chairman & Managing Director)	00166381	Executive Director	5	5	yes	SMS Lifesciences India Limited - Director	0	2
Mr. T.V.V.S.N Murthy	00465198	Non-Executive Director	5	5	Yes	SMS Lifesciences India Limited – Managing Director	0	2

Name of Director & Designation	DIN.	Category* (Designation)	No. of Board Meetings during the Year 2018-19		Attended Last AGM 30.09.19	No. of Directorships in other Public Companies and category	No. of Committee Position held in Public Companies (including this company)	
Mr. P. Sarath Kumar	01456746	Independent Director	5	5	Yes	SMS Lifesciences India Limited – Independent Director	2	2
Dr. T. Neelaveni	00065571	Independent Director	5	5	No	SMS Lifesciences India Limited – Independent Director	2	2
*Mr.Sarvepalli Mr.nivas	02292051	Independent Director	3	3	No	NA	0	1
Mr. Shravan Kudaravalli	06905851	Independent Director	5	5	Yes	SMS Lifesciences India Limited – Independent Director, CHM tools Limited – Director, Megha Engineering & Infrastructures Limited- Director	1	2
Ms.Shilpa R Wagmare	7009966	Non-Executive & Nominee Director	5	3	NA	0	0	0
**Mr. P. S. Rao	00099066	Independent Director	1	1	No	SMS Lifesciences India Limited – Independent Director  And RA Chem Pharma Limited - Director	0	3

\* Mr.Sarvepalli Mr.nivas has been appointed as director with effect from 12<sup>th</sup> August, 2019

\*\* Mr.PS.Rao has resigned from the Board with effect from 10<sup>th</sup> August, 2019.

### **Selection criteria of Board Members**

The Nomination and Remuneration Committee works with the Board to determine the appropriate characteristics, skills and experience required for the Board as a whole and for individual members. The Company has adopted guidelines on selection criteria of Board members, which is available on the website of the Company. ([www.smspharma.com](http://www.smspharma.com))

### **Independent Directors**

Your Company's Independent Directors are renowned people having expertise/ experience in their respective field/ profession. None of the Independent Directors are Promoters or related to Promoters. They do not have pecuniary relationship with the Company and further do not hold two percent or more of the total voting power of the Company. None of the independent directors of the Company is a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director.

In the opinion of the Board, all the Independent directors fulfill the conditions specified in the Companies Act, 2013, including amendments there under and SEBI Listing Regulations, 2015, as amended from time to time, and are independent of the management.

Pursuant to section 150 read with of Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 of the Companies Act, 2013, your Company's Independent Directors have registered themselves on the portal of "Indian Institute of Corporate Affairs" as Independent Director, within the prescribed timelines.

### **Board Meetings:**

The Board of Directors meets at least four times in a year with a maximum time gap of not more than 120 days between two consecutive meetings. Additional meetings of the Board of Directors are held as and when deemed necessary by the Board of Directors. In case of exigencies or urgency of matters, resolutions are passed by circulation and are adopted in the subsequent Meeting.

During the year under the review the Board met Four (5) times, at which proper quorum was present. The dates on which the said meetings held are:

27<sup>th</sup> May, 2019, 12<sup>th</sup> August, 2019, 12<sup>th</sup> November, 2019, 12<sup>th</sup> February, 2020 and 18<sup>th</sup> March, 2020

During the year under review, information as mentioned in Schedule II Part A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, had been placed before the Board for its consideration.

The terms and conditions of appointment of the Independent Directors are disclosed on the website of the Company at the following link: <https://smspharma.com/investor-relations/download/>

During the year, one meeting of the Independent Directors was held on 26<sup>th</sup> May, 2019. The Independent Directors, inter-alia, reviewed the performance of non-independent directors, Chairman of the Company and the Board as a whole.

The Board periodically reviews the compliance reports of all laws applicable to the Company.

The Board Members are provided with necessary documents/reports on internal policies to enable them to familiarize to the Company's procedures and practices. Periodic presentations are made at the Board and its Committee Meetings, on business and performance updates of the Company. Site visits to various plant locations are organized to the Directors to enable them to understand the operations of the Company.

The Company had not issued any convertible instruments. Details of equity shares of the Company held by the

Directors as on March 31, 2020 are given below:

<b>Name of Director</b>	<b>No. of Equity Share held as on 31-03-2020</b>
Mr. Ramesh Babu Potluri	1,45,06,960
Mr. T.V.V.S.N Murthy	54,67,000

### **BOARD COMMITTEES**

The Company has four Board level committees, namely Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee and Corporate Social Responsibility (CSR) Committee.

The Constitution, terms of reference and the functioning of the existing committees of the Board is explained herein.

#### **A. AUDIT COMMITTEE:**

The management is responsible for the Company's internal controls and the financial reporting process while statutory auditors are responsible for performing Independent audit of the Company's financial statements in accordance with generally accepted auditing practices and for issuing report based on such audit. The board of directors has constituted and entrusted the Audit Committee with the responsibility to supervise these processes and thus ensure accurate and timely disclosure that maintain the transparency, integrity and quality of financial control and reporting. The constitution of the Audit Committee is in alignment with provisions of Section 177 of the Companies Act, 2013 read with the Rules issued thereunder and Regulation 18 of SEBI (LODR) Regulations, 2015. The Company has formulated an "Audit Committee Charter" in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Audit Committee Meeting including the terms of references / role and responsibilities of the Committee members. The said Charter is in compliance with the requirement of Section 177 of the Companies Act, 2013 and applicable rules made there under and Regulation 18 of SEBI Listing Agreement it includes the Part-C of Schedule II (i.e., Role of Audit Committee and Review of Information by Committee) as per SEBI LODR Regulations.

#### **Brief description of terms of Reference:**

The terms of reference on the Audit Committee are as under:

- a) Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- b) Recommendation for appointment, remuneration and terms of appointment of auditors of the Company,
- c) Approval of payment to statutory auditors for any other services rendered by the Statutory Auditors.
- d) Reviewing with the management, the quarterly financial statements before submission to the Board for approval
- e) Review and monitor the auditor's independence and performance and effectiveness of audit process.
- f) Reviewing with the management, performance of statutory and internal auditor's adequacy of the internal control systems.
- g) Discussion with internal auditors of any significant findings and follow up there on.
- h) To review the statement of significant related party transactions

During the financial year 2019-20, the Audit Committee met four (4) times, on 27<sup>th</sup> May, 2019, 12<sup>th</sup> August, 2019, 12<sup>th</sup> November, 2019, 12<sup>th</sup> February, 2020 at which proper quorum was present and the gap between two meetings did

not exceed one hundred and twenty days.

The composition of the Audit Committee and attendance of each member of the Committee is as mentioned below:

Sl. No.	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Mr. Shravan Kudaravalli	Chairman	Independent Director	4	4
2	Dr. (Mrs) T. Neelaveni	Member	Independent Director	4	4
3	Mr. Ramesh Babu Potluri	Member	Chairman & Managing Director	3	3
4.	* Mr. P. Sarath Kumar	Chairperson	Independent Director	2	2
5.	**Mr. P.S. Rao	Member	Independent Director	1	1

\* Mr. P.Sarath Kumar Chairman and Member of the Audit Committee upto 12<sup>th</sup> August, 2019.

\*\* Mr. P.S. Rao has resigned from the Board with effect from 10<sup>th</sup> August, 2019 and subsequently from the Audit Committee.

The Chairman of the Committee was present in the Annual General Meeting to answer the Shareholders queries. The Company Secretary acts as the Secretary to the Committee.

The Minutes of the Audit Committee meetings were circulated to the Board, which are discussed and were taken note. The Audit Committee considered and reviewed the accounts for the year 2019-20, before it was placed to the Board. The Committee periodically interacts with the independent auditors, reviews the Company's financial and risk management policies and adequacy of internal controls with the management and is responsible for effective supervision of the financial reporting process and compliance with financial policies. The Internal Auditor reports directly to the Audit Committee.

## B NOMINATION AND REMUNERATION COMMITTEE

The composition of Nomination and Remuneration Committee of the Company has been constituted in accordance with the Section 178(1) of the Companies Act, 2013 and Regulation 19 of SEBI (LODR) Regulations, 2015. The Company has formulated a "Nomination and Remuneration Committee Charter" in accordance to the changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Nomination and Remuneration Committee Meeting including the terms of references / role & responsibilities of the Committee members. The said Charter is in compliance with the requirements of Section 178 of the Companies Act, 2013 and applicable rules made there under and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

During the year 2019-20 the Nomination and Remuneration Committee met two times one on 27.05.2019 and the other was on 18<sup>th</sup> March, 2020 at which proper quorum was present.

The constitution of the Nomination and Remuneration Committee and attendance of each member of the Committee mentioned below:

Sl. No.	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Dr. T. Neelaveni	Chairperson	Independent Director	2	2
2	*Mr. Shravan Kudaravalli	Chairman	Independent Director	1	1
3	*Mr. Ramesh Babu Potluri	Member	Chairman & Managing Director	1	1
4	*Mr. TVVSN Murthy	Member	Non- Executive Director	1	1
5	**Mr. P. Sarath Kumar	Member	Independent Director	1	1
6	***Mr. P. S. Rao	Member	Independent Director	1	1

\* Mr. Shravan Kudaravalli, Mr. Ramesh Babu Potluri and Mr. TVVSN Murthy are the members of the Committee with effect from 12<sup>th</sup> August, 2019.

\*\* Mr.P.Sarath Kumar was the member of the Committee upto 12<sup>th</sup> August, 2019

\*\*\*Mr.PS.Rao as resigned from the Board with effect from 10<sup>th</sup> August, 2019 and subsequently from all the committees also.

**Performance Evaluation Criteria for Independent Directors:**

The performance evaluation of the Independent Directors was carried out by the entire Board.

The criteria for performance evaluation is as follows:

**Role & Accountability:**

- Understanding the nature and role of Independent Directors' position.
- Understanding of risks associated with the business.
- Application of knowledge for rendering advice to management for resolution of business issues.
- Active engagement with the management and attentiveness to progress of decisions taken.

**Objectivity:**

- Non-partisan appraisal of issues.
- Own recommendations given professionally without tending to majority or popular views.

**Leadership & Initiative:**

- Heading Board Sub-committees.
- Driving any function or identified initiative based on domain knowledge and experience.

**Personal Attributes:**

- Commitment to role and fiduciary responsibilities as a Board member.
- Attendance and active participation.
- Proactive, strategic and lateral thinking.

**REMUNERATION OF DIRECTORS**

The remuneration to the directors for the year ended on 31<sup>st</sup> March, 2020 forms part of MGT-9 annexed as “Annexure 7” to this Board Report.

The Company has only 1(one) Executive Director and rest of the Board Contains 1(one) Promoter Director, 4(four) Independent and Non-Executive Directors and 1(one) Nominee Director. Nominee Director and Independent Directors were paid only sitting fee. The Company does not have any Employee Stock Option Scheme. Payments made to Directors during the FY 2019-20 are mentioned hereunder:

**Executive Directors**

(₹ in Lakhs)

Name of the Director	Salary and Allowances	Commission	Perquisites	Bonus/Stock Options	Total
Mr. Ramesh Babu Potluri (Chairman & Managing Director)	198.00	61.45	4.76	0	264.22

### Independent & Nominee Directors:

The details of remuneration to the Independent/ Nominee / Executive Directors for the year ended on 31<sup>st</sup> March, 2020 as given below:

(Rs. in Lakhs)

Name of the Independent Director	Sitting Fees
Mr. P. Sarath Kumar	2.45
Dr. T.(Mrs) Neelaveni	3.30
Mr. Sarvepalli Mr.nivas	0.45
Mr. Shravan Kudravalli	3.05
Ms.Shilpa R Waghmare (Exim Bank)	0.55
*Mr. P.S. Rao	1.00

\* Mr.P.S.Rao has resigned from the Board with effect from 10<sup>th</sup> August, 2019.

### C. STAKEHOLDERS RELATIONSHIP COMMITTEE

The composition of Stakeholder Relationship Committee of the Company has been constituted in accordance with the provisions of Section 178(5) of the Companies Act, 2013. The Company has formulated a “Stakeholder Relationship Committee Charter” in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Stakeholder Relationship Committee Meetings including the terms of references / role and responsibilities of the Committee members. The said Charter is in compliance with the requirement of Section 178 of the Companies Act, 2013 and applicable rules made thereunder, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Committee met on 12-11-2019 at which proper quorum was present.

The constitution of the Stakeholder Relationship Committee & attendance of each member of the Committee mentioned below:-

S. No	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Mr. P. Sarath Kumar	Chairman	Independent Director	1	1
2	Dr. (Mrs)T. Neelaveni	Member	Independent Director	1	1
3	Mr.Ramesh Babu Potluri	Chairman & Managing Director	Executive Director	1	1
4	Mr. TVVSN Murthy	Member	Non-Executive Director	1	1
5	Mr.Sarvepalli Mr.nivas	Member	Independent Director	1	1

The Committee considers and resolves the grievances of shareholders, including the complaints related to transfer / transmission of shares, non-receipt of the Balance sheet and non- receipt of declared dividends.

### D. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE):

The composition CSR Committee of the Company is constituted in accordance with the provisions of Section 135(2) of the Companies Act, 2013. The Company has formulated a “Corporate Social Responsibility Policy” in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for Expenditure on the Corporate Social Responsibility, including the mode & reporting mechanism of the same to the Committee. The said Charter is in compliance with the requirement of Section 135 & Schedule – VII of the Companies Act, 2013 and applicable rules made thereunder. The role of the Committee is as mentioned below:



- a) Formulate and recommend the Board, a corporate social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified by law;
- b) Recommend the amount of expenditure to be incurred on the activities specified; and
- c) Monitor the Corporate Social Responsibility Policy of the Company from time to time.

The Committee met on 12-08-2019 and all the members attended the meeting.

The constitution of the Corporate Social Responsibility Committee and attendance of each member of the Committee is mentioned below:-

S. No.	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Mr. Ramesh Babu Potluri	Chairperson	Executive Director	I	I
2	Mr. P. Sharath Kumar	Member	Independent Director	I	I
3	*Mr. P.S. Rao	Member	Independent Director	NA	NA
4	**Mr. Shravan Kudaravalli	Member	Independent Director	NA	NA
05	Mr.Sarvepalli Mr.nivas	Member	Independent Director	NA	NA

\* Mr.P.S.Rao has resigned from the Board with effect from 10<sup>th</sup> August, 2019 and subsequently from other committees also.

\*\* Mr. Shravan Kudaravalli has been appointed as the member of the committee with effect from 12<sup>th</sup> August, 2019

\*\*\* Mr.Sarvepalli Mr.nivas has been appointed as appointed as the Director with effect from 12<sup>th</sup> August, 2019 and also subsequently into other committees

**Name, designation and address of Compliance Officer:**

Mr. V.S.Venkatish

Company Secretary and Compliance Officer

SMS Pharmaceuticals Limited

Plot.No.72, H.No: 8-2-334/3&4,

Road No. 5, Opp. SBI Executive Enclave,

Banjara Hills, Hyderabad, Telanagana – 500034.

E-mail: [complianceofficer@smspharma.com](mailto:complianceofficer@smspharma.com)

Phone: + 91-40-25259999

Fax: + 91-40-25259889

Website: [www.smspharma.com](http://www.smspharma.com)

**Status of Investor Complaints as on 31<sup>st</sup> March, 2020 and reported under Regulation 13(3) of the Listing Regulations**

Details of investor complaints received and redressed during the year 2019- 20 are as follows:

Opening Balance as on 1 <sup>st</sup> April, 2019	Received during the year	Resolved during the year	Closing Balance as on 31 <sup>st</sup> March, 2020
NIL	I	I	NIL

The Complaints have been resolved to the satisfaction of the shareholders.

**SCORES:** The Securities Exchange Board of India has initiated a platform for redressing the investor grievances through SCORES, a web-based complaints redressal system. The system processes complaints in a centralized web-based mechanism.

**Nodal Officer:** Mr.V.S.Venkatish, Company Secretary of the Company was appointed as Nodal Officer for the purpose of co-ordination with IEPF Authority as to ensure processing and verification of claims by the Shareholders in time bound manner.

#### **RECONCILIATION OF SHARE CAPITAL AUDIT REPORT:**

As stipulated by SEBI, a Practicing Company Secretary carries out Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges where the

Company's shares are listed. The audit confirms that the total Listed and Paid-up Capital is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and total number of shares in physical form.

#### **COMPLIANCE WITH GOVERNANCE FRAMEWORK**

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of the Listing Regulations. This Corporate Governance Report of the Company for the year 2019-20 is in compliance with the requirements of Corporate Governance under Regulation 27(2) of Listing Regulations.

#### **GENERAL BODY MEETINGS:**

The location and time of the Annual General Meetings held during the last 3 years are as follows:

<b>AGM for FY</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>	<b>No. of Special Resolutions passed</b>
2016-17	27 <sup>th</sup> September, 2017	11.00 A.M.	Jubilee Hills Club, Jubilee Hills,	2
2017-18	20 <sup>th</sup> September, 2018	03.00 P.M.	Hyderabad.	1
2018-19	30 <sup>th</sup> September, 2019	09.00 A.M.	JRC Conventions and Trade Fairs, survey No, 4, Narne Road, Adjacent to Whisper valley, Jubilee Hills	4

#### **MEANS OF COMMUNICATION**

##### **Publication of Results in Newspapers:**

The Quarterly, half-yearly and annual financial results of the Company are published in leading English and vernacular Telugu language newspaper, viz., The Financial Express (All Editions) and Andhra Prabha (Hyderabad & Secunderabad Editions).

##### **Website and News Papers:**

In compliance with Regulation 46 of the Listing Regulations, a separate dedicated section under 'Investors' on the Company's website gives information on various announcements made by the Company, status of unclaimed dividend, stock quotes, Annual Report, Quarterly / Half yearly / Nine-months and Annual financial results along with the applicable policies of the Company are available on the Company's website "<http://www.smspharma.com>. No specific presentations made to the institutional investors and analysts after the declaration of the results.

### E-voting

Pursuant to the requirements of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements), 2015, Company is providing e-voting facility to its shareholders, in respect of all resolutions to be passed at the General Meetings.

### Stock Exchange:

The Company makes timely disclosures of necessary information to BSE Limited and the National Stock Exchange of India Limited in terms of the Listing Regulations and other rules and regulations issued by the SEBI.

### GENERAL SHAREHOLDERS INFORMATION

**Financial calendar:** 1<sup>st</sup> April 2019 to 31<sup>st</sup> March, 2020

### 32<sup>nd</sup> Annual General Meeting

Day and Date	:	Wednesday, 30 <sup>th</sup> September, 2020
Financial Year	:	2019-2020
Time	:	9.00 AM
Mode	:	Video Conferencing and Other Audio Visual Means
Deemed Venue	:	Registered Office situated at Plot.no.72, H.No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara hills, Hyderabad, Telangana, India 500034

As required under Regulation 36(3) of the SEBI Listing Regulations, particulars of Directors seeking re-appointment at the forthcoming AGM are given herein and in the Annexure to the Notice of the AGM to be held on 30<sup>th</sup> September, 2020.

Listing on Stock Exchange & Stock Code:

BSE Limited "BSE" Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001.	National Stock Exchange of India Limited "NSE" Exchange Plaza, C-I, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.
<b>Stock Code:</b> BSE: 532815	<b>Stock Code:</b> NSE : SMSPHARMA
<b>ISIN for equity shares:</b> INE812G01025	

Listing Fees for the financial year 2020-21 has been paid to both the stock exchanges.

**Stock market data:** The Stock of the Company has listed in the Month of February, 2007.

The table below shows the monthly high and low price on the BSE Limited during the year 2019-20.

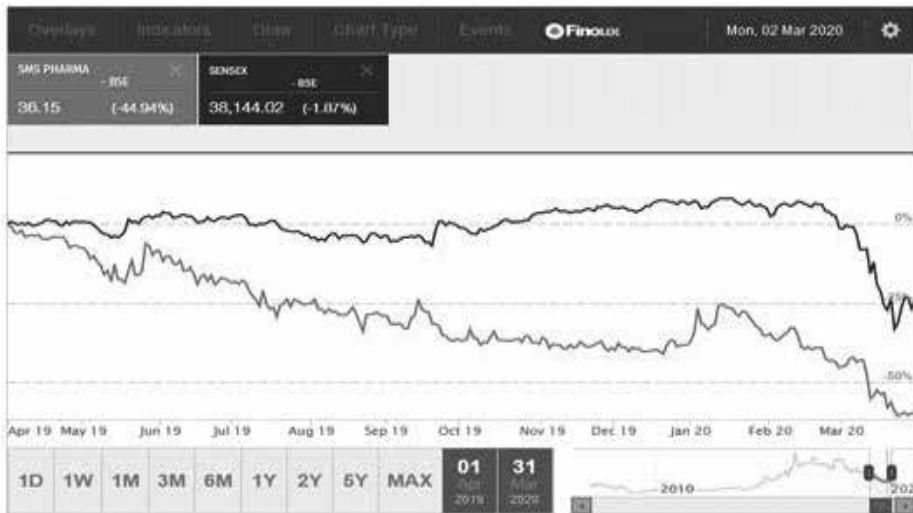
Month	BSE		Volume	
	High (Rs.)	Low (Rs.)	No. of Shares	Value (Rs.)
April, 2019	67.50	60.20	22476	1421743
May, 2019	62.65	52.70	31350	1780753
June, 2019	61.90	48.25	85306	4779734
July, 2019	56.15	45.00	58690	2897941
August, 2019	56.80	41.50	117761	5686507
September, 2019	50.50	40.05	57000	2522356

Month	BSE		Volume	
	High (Rs.)	Low (Rs.)	No. of Shares	Value (Rs.)
October, 2019	44.35	40.05	34577	1453176
November, 2019	43.10	39.00	165128	6819149
December, 2019	43.00	37.60	26447	1065866
January, 2020	55.60	40.95	92657	4458755
February, 2020	46.85	35.60	48073	1977050
March, 2020	41.75	23.55	90642	2920085

The table below shows the monthly high and low price on the NSE Limited during the year 2019-20.

Month	NSE		Volume	
	High (Rs.)	Low (Rs.)	No. of Shares	Value (Rs.)
April, 2019	67.05	60.55	23556	1498712
May, 2019	61.10	53.00	25515	1467061
June, 2019	60.90	52.10	20615	1153053
July, 2019	56.00	46.90	36426	1795026
August, 2019	50.80	42.70	59296	2837643
September, 2019	50.95	39.80	40595	1829312
October, 2019	43.70	41.00	24444	1024600
November, 2019	42.95	38.90	40581	1656056
December, 2019	42.25	37.10	27750	1123453
January, 2020	52.10	40.50	49555	2380693
February, 2020	44.50	35.20	27750	1123453
March, 2020	41.50	24.00	118743	3988404

### Performance in comparison to broad-based indices such as BSE Sensex SMS Pharmaceuticals Limited vs. BSE



## SMS Pharmaceuticals Limited vs. NSE



### Share Transfer Agents:

Mr. G. Bhaskara Murthy,

General Manager

M/s. Aarthi Consultants Private Limited

I-2-285, Domalguda, Hyderabad-500 029, Telangana State

Phone: 040-27638111, 27642217, 27634445

Fax : 040-27632184

Email : info@arthiconsultants.com

(For share related services/transfer of physical shares/change of address of members/nomination etc.)

### Share Transfers System

Share transfers are processed and share certificates duly endorsed are delivered within a period of 15 days from the date of receipt, subject to documents being valid and complete in all respects. The company has delegated the authority to Share Transfer Agent (M/s Aarthi Consultants Private Limited). All documents, transfers, transmission, demat requests and other communications in relation thereto are required to be addressed to the Registrars directly. The Company obtained from a Company Secretary in Practice, half-yearly certificate to the effect that all certificates have been issued within thirty days of the date of lodgment of the transfer, sub division, consolidation and renewal as required under Regulation 40(9) of the Listing Regulations and submitted a copy of the said certificate with Stock Exchanges under Regulation 40(10).

### Distribution of Equity Shareholding

The table below shows the distribution of shareholding of various groups as on 31<sup>st</sup> March, 2020.

Total Nominal Value ₹ 8,46,52,030 (i.e. Re. 1/- Nominal and Paid Up Value of Each Share comprising total Number of Shares = 8,46,52,030).

Slab of shareholdings	Shareholders	%	No. of Shares	%
1 - 5000	15267	96.95	6390545	7.55
5001 - 10000	203	1.29	1608655	1.9
10001 - 20000	117	0.74	1808579	2.14
20001 - 30000	40	0.25	989686	1.17
30001 - 40000	17	0.11	597265	0.71
40001 - 50000	12	0.08	547550	0.65
50001 - 100000	37	0.23	2865038	3.38
100001 and above	54	0.34	69844712	82.51
<b>Total</b>	<b>15747</b>	<b>100</b>	<b>84652030</b>	<b>100</b>

**Pattern of shareholding as on 31<sup>st</sup> March, 2020**

Sl. No	Category of Shareholders	No. of Shareholders	No. of Shares
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>	<b>12</b>	<b>5,69,65,350</b>
<b>(B)</b>	<b>Public shareholding</b>		
	<b>B1) Institutions</b>		
	Mutual Funds/	0	0
	Financial Institutions/ Banks		
	Any Other (specify)- Foreign Institutional Investors	1	4,50,000
	<b>Sub Total B1</b>	<b>1</b>	<b>4,50,000</b>
	<b>B2) Central Government/ State Government(s)/ President of India</b>	<b>0</b>	<b>0</b>
	<b>B3) Non-Institutions</b>		
	Individual share capital upto ₹ 2 Lacs	15327	16882580
	Individual share capital in excess of ₹ 2 Lacs	7	5099970
	NBFCs registered with RBI	0	0
	<b>Any Other (specify)</b>		
	Foreign Individuals or NRI – Reparable & Non Reparable	208	26,70,426
	Bodies Corporate	153	24,47,646
	Clearing Members	36	65607
	Overseas corporate bodies		
	Trust		
	Unclaimed Suspense	1	500
	Foreign Nationals	1	271
	IEPF	1	69680
	<b>Sub Total B3</b>	<b>15,734</b>	<b>2,47,89,034</b>
	<b>Total Public Shareholding(B)=(B1 + B2 + B3)</b>	<b>15,735</b>	<b>2,76,86,680</b>
	<b>TOTAL (A) + (B)</b>	<b>15,747</b>	<b>8,46,52,030</b>

### Dematerialization of Shares and liquidity

The company has made necessary arrangements with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) for dematerialization facility.

**99.67 %** of our equity shares representing **84373464** equity shares have been dematerialized as on 31st March, 2020.

#### The breakup as on 31<sup>st</sup> March, 2020 as follows:

Particulars	No. of Shares	Percentage of shares
NSDL	3,30,18,020	39.00
CDSL	5,13,55,444	60.67
Total Demat Shares	8,43,73,464	99.67
Physical	2,78,566	0.33
<b>Total</b>	<b>8,46,52,030</b>	<b>100</b>

Shareholders who continue to hold shares in physical form are advised to dematerialize their shares at the earliest since it helps in immediate transfer without any payment of stamp duty. The risks pertaining to physical certificates like loss, theft, forgery, damage are eliminated when shares are held in electronic form. For any clarification, assistance or information, relating to dematerialization of shares please contact the Company's RTA.

### Outstanding GDRs/ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity

The Company has not issued any GDRs/ ADRs/ Warrants or any convertible instruments in the past and hence as on 31<sup>st</sup> March, 2020 the company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

### OTHER DISCLOSURES:

#### Related party transactions

During the year under review no materially significant transactions entered between the company and related parties as defined under Section 185 or 188 of the Companies Act, 2013 along with Regulation 23 of SEBI Listing Regulations, which might had/may have potential conflict with the interest at large of the Company. All the related party transaction for the year ended on 31<sup>st</sup> March, 2020 formed part of **AOC-2 (Annexure 5)** to the Board's Report. Further the company has presented the related party transactions before the Audit Committee on quarterly basis and also before the Board. The "Policy on Related Party Transactions" is hosted on the website of the Company at the following link: <http://www.smspharma.com/investors/downloads/policy-on-related-party-transactions.pdf>.

None of the transactions with Related Parties were in conflict with the interest of Company. All the transactions are in the ordinary course of business and have no potential conflict with the interest of the Company at large and are carried out on an arm's length or fair value basis.

#### Prohibition of Insider Trading:

Your company has adopted a Code of conduct as per Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 as amended from time to time. All Directors, Senior Management Personnel, person forming part of Promoters / Promoters Group and such other designated Employees who could have access to the Unpublished Price Sensitive Information of the Company are governed by this Code. During the year, the company had due compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015. The Code of conduct is available on the website of the Company.

Managing Director and the Chief Financial Officer have certified to the Board in accordance with Regulation 17(8) of the SEBI (LODR) Regulations, 2015 pertaining to CEO/ CFO certification for the Financial Year ended 31st March, 2020.

The Company has complied with all mandatory requirements as specified in LODR Regulations, 2015.

**Strictures and Penalties:**

There was no non-compliance penalties and strictures imposed on the Company during the last three financial years 2017-18, 2018-19 and 2019-20 respectively by the stock exchanges or the SEBI or any statutory authority, on any matter related to capital markets.

**Vigil mechanism / Whistle Blower Policy:**

In terms of the requirements of the Companies Act, 2013 and Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Company has a vigil mechanism to deal with instances of fraud and mismanagement, if any. The details of the vigil mechanism are displayed on the website of the Company. No person has been denied access to the Chairman of the audit committee. There were no allegations / disclosures / concerns received during the year under review in terms of the vigil mechanism established by the Company. The said policy has been also hosted on the website of the Company at the following link: <http://www.smspharma.com/investors/downloads/whistle-blower-protection-policy.pdf>

**Fees paid for the services of Auditors**

Particulars	Current Year 2019-20	Previous Year 2018-19
Audit Fee	8.00	8.00
Tax Audit Fee	2.00	2.00
Certification Fee	1.00	1.00
Total Payments to Auditors	11.00	11.00

**Policy for Determination of Materiality for Disclosures:**

The company is following the mandatory disclosure requirement under Schedule II of the SEBI Listing Regulations.

The Company had also adopted Policy for Determination of Materiality for Disclosures. The said policy has been also hosted on the website of the Company at the following link: <http://www.smspharma.com/investors/downloads/policy-for-determination-of-materiality-for-disclosure.pdf>

**Disclosure with Respect to Demat Suspense Account/ Unclaimed Suspense Account**

Pursuant to the provisions of Section 124 of the Companies Act, 2013, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by the Company to the Investor Education and Protection fund, established by the Central Government under the provisions of Section 125 of the Companies Act, 2013.

Shareholders of the Company who have either not received or have not en-cashed their dividend warrants, for the financial years 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 are requested to claim the unpaid/ unclaimed dividend from the Company before effecting transfer to the fund.



Details of shares held in demat suspense account with HSE Securities Ltd. (IN302734-10034023) for the period from 01/04/2019 to 31/03/2020.

(i)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the <b>beginning of the year.</b>	No. of shareholders : 2 No. of shares : 50
(ii)	Number of shareholders who approached issuer for transfer of shares from suspense account <b>during the year.</b>	No. of shareholders : Nil No. of shares : Nil
(iii)	Number of shareholders to whom shares were transferred from suspense account <b>during the year.</b>	No. of shareholders : Nil No. of shares : Nil
(iv)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the <b>end of the year.</b>	No. of shareholders : 2 No. of shares : 50
(v)	That the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.	Yes

**Investors Correspondence** : For institutional investors / analysts queries

Email : cs@smspharma.com

(For queries relating to Financial Performance and Announcement made by Management only)

Address of the Manufacturing Plants		Research and Development Center
Plot No. 24 & 24B, S.V. Co.op Ind. Estate Bachupally, I.D.A., R.R. Dist Telangana - 502 325. Phone : + 91-40-6598 6691 Email : <a href="mailto:admin_unit2@smspharma.com">admin_unit2@smspharma.com</a>	Sy. No. 160, 161, 163 to 167, Kandivalasa, (V) Poosapatirega (Mandal) Vizianagaram Dist. Andhra Pradesh – 535 204 Phone : +91-08922-258051/53/54 Fax : +91-08922-258052 Email : <a href="mailto:admin_unit7@smspharma.com">admin_unit7@smspharma.com</a>	Sy. No. 186, 189 & 190, Gagillapur, Qutubullapur, Ranga Reddy Dist, Hyderabad, Telangana State, India. Phone : + 91-8418-257337/8 Fax : + 91-8418-257469 Email : <a href="mailto:rnd@smspharma.com">rnd@smspharma.com</a>

By the order of the Board

**Ramesh Babu Potluri**

Chairman and Managing Director

(DIN:00166381)

Place: Hyderabad  
Date: 05-06-2020

## Business Responsibility Report

As per Regulation 34(2)(f) of the Listing Regulations, 2015

### Section A: General Information about the Company

01	Corporate Identity Number (CIN) of the Company	L24239TGI987PLC008066
02	Name of the Company	SMS Pharmaceuticals Limited
03	Registered Office of the Company	Plot.No. 72, H.No: 8-2-334/3&4, Road No: 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad – 500034, Telangana, India
04	Website	www.smspharma.com
05	E-mail id	info@smspharma.com
06	Financial Year reported	Financial year ending 31 <sup>st</sup> March, 2020
07	Sectors that the company is engaged in (Industrial Activity code-wise)	Manufacture of Pharmaceuticals
08	List three key products/services that the company manufactures/provides (as in Balance sheet )	1. Tenofovir Disproxil Fumarate IH 2. Sumatriptan Succinate USP 3. Pantoprazole Sodium USP
09	Total number of locations where business activity is under taken by the Company	3
	a) Number of International Locations (Provide details of major 5)	Nil
	b) Number of National Locations	3
10	Markets served by the Company	All markets (India and International)

### SECTION B: Financial Details of the Company

01	Paid up Capital (INR)	8,46,52,030
02	Total Turnover (INR)	99,55,45,000
03	Total Profit after taxes (INR)	6,24,73,000
04	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	1,09,52,000
05	List of activities in which expenditure in 4 above has been incurred:-	53,18,000
		a) open heart surgery program for children at Govt. General Hospital Guntur, Andhra Pradesh b) Asian Healthcare Foundation to arrange & organize various kind of medical/health camps for the benefit of poor and deserving Community. c) contribution of funds to Police welfare schemes for both States of Andhra Pradesh and Telangana d) Class rooms building in the schools

### Section C: Other Details

01	Does the Company have any subsidiary Company / Companies	No
02	Do the Subsidiary Company/companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary company(s)	No
03	Do any other entity/entities (e.g. supplies, distributors etc.) that the Company does business with; participate in the BR initiatives of the Company. If yes, then indicate the percentage of such entity/entities (Less than 30%, 30-60%, more than 60%)	No

### SECTION D: BR INFORMATION

#### I. Details of Director/Directors responsible for BR

##### a) Details of the Director/Director responsible for implementation of the BR policy/policies.

1. DIN Number : 00166381
2. Name : Ramesh Babu Potluri
3. Designation : Chairman & Managing Director

##### b) Details of the BR Head

1. DIN Number : 00166381
2. Name : Ramesh Babu Potluri
3. Designation : Chairman & Managing Director
4. Telephone Number : 040-25259999
5. E-mail id : [info@smspharma.com](mailto:info@smspharma.com)

#### 2. Principle-wise (as per NVGs) BR Policy/policies

##### a) Details of Compliances (Reply in Y/N)

No	Question	PI	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy / Policies for	y	y	y	y	y	y	NA	y	y
2	Has the Policy being formulated in consultation with the relevant stakeholders	All the policies are in comparable with the best practices in the industry.								
3	Does the policy conform to any national / international standards? If yes, Specify? (50 words)	The Company is abiding by the various laws while framing the policies, the best practices are taken into account								
4	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	The policies have been approved by the Chairman and Managing Director and certain policies are approved by the Board								
5	Does the company have a specified committee of the Board / Director /Official to oversee the implementation of the Policy?	y	y	y	y	y	y	NA	y	y
6	Indicate the link for the policy to be viewed online?	Many of the policies are available on the website of the Company <a href="http://www.smspharma.com">www.smspharma.com</a> and the policies which are internal to the Company are available on the Intranet of the Company.								

No	Question	P1	P2	P3	P4	P5	P6	P7	P8	P9
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	y	y	y	y	y	y	NA	y	y
8	Does the company have in-house structure to implement the policy / policies	y	y	y	y	y	y	NA	y	y
9	Does the company have grievance redressal mechanism related to the Policy / Policy to address stakeholder' grievances related to the policy / policies?	y	y	y	y	y	y	NA	y	y
10	Has the company carried out independent audit / evaluation of the working of this policy by an internal or external agency	NA	NA	Y	NA	NA	Y	NA	Y	NA

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why:

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the Principles	-	-	-	-	-	-	-	-	-
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The Company does not have financial or manpower resources available for a task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6	Any other reason (please specify	-	-	-	-	-	-	-	-	-

### 3. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, annually, more than 1 year – Annually.
- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? – NO.

## SECTION E: PRINCIPLE – WISE PERFORMANCE

### Principle I

#### Business should conduct and govern themselves with ethics, transparency and Accountability

- Does the Policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/Joint Venture/Suppliers/Contractors/NGOs/Others?

SMS Pharmaceuticals Limited code of conduct covers all the stakeholders including Associates/Group/joint ventures/ suppliers/contractors/NGOs/others. SMS Pharmaceuticals Limited always encourages its employees and all the stakeholders not to engage in any unfair trading practices, irresponsible advertising or anticompetitive behavior. SMS Pharmaceuticals Ltd has the procedures in place to ensure that the business of the Company is carried out in a fair and responsible manner.

**2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the Management? If so, provide details thereof: in about 50 words or so.**

SMS Pharmaceuticals Limited strongly emphasis on serving its customers with the best quality products. The Company not only believes in delivery quality product but also believes in on-time service to all of its customers. All the Customer complaints which were received have been resolved in adequate time and proposed improvements incorporated into the processes and the Company makes sure that no complaints are pending at the end of the financial year.

**Principle 2**

**Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle**

**1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

- a) Solvent Distillation System
- b) Any hazardous Reactions
- C) Material Handling

**2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc) per unit of product (Optional):**

**a) Reduction during sourcing/production/ distribution achieved since the previous year though out the value chain?**

**Water:** The source of water is from bore wells. We have established the system to purify the water as per pharmacopoeia specifications. The water which we are using in the production, part will be consumed and part will be recovered. The recovery water will be reused after necessary purification. So that we are conserving the water necessity.

**Energy:** The energy which we are generating through coal and also direct supply of power. We are following all the precautions to conserve the energy.

**Raw Materials:** Our processes are well designed for optimum utilization of raw materials as well as solvents. We have a well-established R and D facility and well qualified scientists and continually experimenting to generate competitive know-how to reduce cost of the inputs and to make a reaction environmental friendly.

**b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?**

**Energy:** We have reduced usage of energy by implementing up gradated systems.

**Water:** We have reduced the consumption of water in related to the production output, by establishing multiple effect evaporators (MEE) through which we are recovering the water from the effluent. The recovered water was treated with bio-degradation and reusing the same after attaining required specifications.

**3. Does the Company have procedures in place for sustainable sourcing (including Transportation)?**

Yes. SMS Pharmaceuticals Limited has well-defined standard operating procedures (SOP) for identifying and approving vendors. Periodic site audit of vendors, regulatory approval checks and regular sample analysis are preformed to ensure that the product is of highest quality. Also we have qualified and sourcing critical material form alternate vendors.

We have established logistic department to take care of the movement of the raw materials, solvents, packing materials and finished goods.

**a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so**

The Company endeavors to source its procurement of goods and services from medium and small vendors. The Company preferred to source all the inputs including raw materials and packing materials from MSME units to encourage as a government policy. Most of the materials are procuring from domestic source. It provides necessary regulatory and technical support to small vendors providing goods and services to the Company. Regular Vendor Audits are carried out and reports are shared with small vendors for improvement in their quality systems. Over the past 2 years, our procurement share of raw materials and intermediates from Indian suppliers is on a steady rise and the direct sourcing of raw materials from Indian vendors is 66% for the year under review compared to 60% of the previous year.

**4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?**

**a) if yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

**Yes:** We always encourage as to procure required raw materials from local and small scale units, because it approachable easily and frequent monitoring can be done in respect of quality and supplies.

**5. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

**Recycle products:** we established complete distillation system to recycle and extract the solvents from mother liquor, by which we are reducing the effluent and also producing cost effective product by usage of optimum required solvent. For water, we have a complete treatment mechanism to treat effluent water for primary treatment, secondary treatment followed by established full pledged (MEE) for recovery purposes. We are reusing the recovery water for your industrial use.

**Principle 3**

**1. Please indicate the Total number of employees**

We have 1356 employees as on 31<sup>st</sup> March, 2020 (806+unit 7 500+unit 2 30+RND 20)

**2. Please indicate the Total number of employees hired on temporary/contractual/casual basis.**

We have “550” employees as on 31<sup>st</sup> March, 2020

**3. Please indicate the Number of permanent women employees**

We have 27 employees as on 31<sup>st</sup> March, 2020

**4. Please indicate the Number of permanent employees with disabilities**

We have “0” employees as on 31<sup>st</sup> March, 2020

**5. Do you have an employee association that is recognized by management**

No

**6. What percentage of your permanent employees is members of this recognized employee association?**

NA

**7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

No	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
1	Child labour/forced labour/involuntary labour	NIL	NA
2	Sexual harassment	NIL	NA
3	Discriminatory employment	NIL	NA

**8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?**

- a) Permanent Employees 80 %
- b) Permanent women employees 20%
- c) Casual/Temporary/contractual employees 70%
- d) Employees with Disabilities 0 %

**Principle 4**

**Business should respect the interest of and be responsive towards all stakeholders, especially those who disadvantaged, vulnerable and marginalized**

**a) Has the Company mapped its internal and external stakeholders? Yes/No**

Yes, we have mapped our internal and external stakeholders

**b) Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders.**

Yes, we have identified disadvantageous, vulnerable and marginalized stakeholders.

The Company identifies underprivileged communities around its business locations as disadvantaged, vulnerable and Marginalized stakeholders and continuously engages with all such stakeholders identifying their needs and priorities so as to serve these needs accordingly. The systems and processes are in place to systematically identify stakeholders and for understanding their concerns and for engaging with them is reviewed on a monthly basis.

**c) Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in above 50 words or so.**

The Company has implemented management systems to prevent environmental degradation, work place incidents and ill-health, covering all categories of employees including contract workmen. We have initiated behavior based safety management system, process safety management system & Incident analysis system at all our manufacturing facilities and provided extensive trainings and awareness sessions to our employees and contract workmen in order to achieve safe work culture and environment.

**Principle: 5**

**Business should respect and promote human rights**

**I. Does the policy of the company on human rights cover only the company or extend to the Group/joint Ventures / suppliers / Contractors / NGOs/others?**

At present our policies extended to our Company, our suppliers and contractors.

**2. How many stakeholders' complaints have been received in the past financial year and what percent was satisfactorily resolved by the Management?**

We have not received any complaints.

**Principle: 6**

Business should respect, protect, and make efforts to restore the environment

**1. Does the policy related to Principle 6 cover only the Company or extends to the Group / joint Ventures / suppliers / Contractors /NGOs/Others.**

The environment polices are in place for our group companies as well as our Associated Companies and we are observing and implanting the procedures as per rules specified.

**2. Does the company have strategies/initiatives to address global environmental issues such as climate change, global warming etc? Y/N. If yes, please give hyperlink for webpage etc.**

The Company has taken up initiatives to address global environmental issues. The approach includes enhanced solvent recovery and water conservation through water management principles (reduce, recycle, replenish), etc. Environmental Compliance report is being submitted to the regulatory authority as per the stipulated timelines.

**3. Does the company identify and assess potential environmental risks? Y/N**

Yes the Environmental risk assessment is being done on periodic basis

**4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?**

No

**5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc Y/N. If yes, please give hyperlink for web page etc.**

The Company has undertaken number of initiatives including-

- Reduction energy consumption by replacing liquid nitrogen utility to ~40 brine compressor
- Power saving achieved by about 1.8 lac KW/year by installing Artic master and replacement of Instruments Air Compressor and Drier Replacements

**6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB / SPCB for the financial year being reported?**

Yes, all manufacturing plants comply with the permissible limits for air emissions, effluent quality and discharge, solid and hazardous waste generation and disposal as per consents / authorizations.

**7. Number of show cause / legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of financial year.**

During the FY 2019-2020, the Company has not received any show cause/ legal notices from CPCB/ SPCB.

**Principle: 7**

Business when engaged in influencing public and regulatory policy should do so in a responsible manner

**1. Is your Company a member of any trade and chamber or association? If yes, Name only those major ones that your business deals with:**

- (a) Confederation of Indian Industry (CII)



- (b) Bulk Drug Manufacturers Association (BDMA)
- (c) FTAPCCI

**2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if Yes specify the board areas (drop box: Governance and administration, Economic Reforms, inclusive Development Policies, energy security, water, Food Security, sustainable Business Principles, Others)**

No

**Principle: 8**

**Business should support inclusive growth and equitable development**

**1. Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**

We believe in providing inclusive growth and supporting equitable development in the Society. Our Programme of “Self-Managed Teams” continues to provide job opportunities to youths from surrounding rural areas and particularly from economically weaker sections. Along with giving them job opportunity, these candidates are provided with trainings and opportunities for higher education under the concept of “earn and learn”.

**2. Are the programmers/projects undertaken through in-house team/own foundation / external NGO/ Government structures/ any other organization?**

The programs have been undertaken by in-house teams.

**3. Have you done any impact assessment of your initiative?**

We review our projects on periodic basis to assess the projects against the project deliverables.

**4. What is your company’s direct contribution to community development projects - Amount in INR and the details of the projects undertaken**

This information has been provided under CSR Report of the Company. The total amount spent in the financial year under report is ₹ 53.18 lakhs.

**5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

Yes/ All the community development initiatives are planned based on need assessment studies done with target communities to make sure projects are successfully adopted by the community.

**Principle: 9**

**Business should engage with and provide value to their customers and consumer in a responsible manner**

**1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.**

SMS Pharmaceuticals Limited has standard operating procedure to acknowledge, investigate and respond to any product quality related complaints / query. Dedicated complaints handling teams across all its manufacturing units ensure that detailed investigation is performed for all complaints/queries received and appropriate CAPA is taken where ever necessary with in stipulated time frames. We do not have any consumer cases in this financial year.

**2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/NA/ Remarks (Additional Information)**

We do not provide/ display any information over and above what is mandated as per local laws.

- 3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so**

No such cases are filed by any stakeholders against the Company.

- 4. Did your Company carry out any consumer survey / consumer satisfaction trends?**

**We undertake customer satisfaction survey through consistent visit/ interaction with the customers.**

By the order of the Board

Place: Hyderabad  
Date: 05-06-2020

**Ramesh Babu Potluri**  
Chairman and Managing Director  
(DIN:00166381)

**FORM NO. MGT 9**  
**EXTRACT OF ANNUAL RETURN**

As on financial year ended on 31.03.2020

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company  
(Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:		
1	CIN	L24239TG1987PLC008066
2	Registration Date	14th December, 1987
3	Name of the Company	SMS Pharmaceuticals Limited
4	Category/Sub-category of the Company	Company Limited by Shares
5	Address of the Registered office & contact details	Plot No: 72, H. No: 8-2-334/3&4, Road.No.5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad, Telangana, India - 500034.
6	Whether listed company	Yes
		BSE(Bombay Stock Exchange) Ltd.   National Stock Exchange of India Limited
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Aarthi Consultants Private Limited 1-2-285, Domalguda, Hyderabad, Telangana-500 029. Phone : 040-27638111/ 27642217 Email : info@aarthiconsultants.com

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Pharmaceuticals	Sec.-C; Div-21; Gr.-210	100%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	VKT Pharma Private Limited	U24100TG2006PTC050221	Associate	42.62%	2(6)

#### IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

##### (i) Category-wise Share Holding

Category of Shareholders	[No. of Shares held at the beginning of the year]			[No. of Shares held at the end of the year]			% Change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical		Total
<b>A. Promoters</b>								
(1) Indian								
a) Individual/ HUF	50742930	-	50742930	59.94	50762930	0	50762930	59.97
b) Central Govt								0-
c) State Govt(s)								
d) Bodies Corp.	6202420		6202420	7.33	6202420	0	6202420	7.33
e) Banks / FI								0
f) Any other								
Sub Total (A) (1)	56945350		56945350	67.27	56965350		56945350	67.29
(2) Foreign								
a) NRI Individuals								
b) Other Individuals								
c) Bodies Corp.								
d) Any other								
Sub Total (A) (2)	0		0	0	0		0	0
TOTAL (A)	56945350		56945350	67.27	56965350		56945350	67.29
<b>B. Public Shareholding</b>								
I. Institutions								
a) Mutual Funds								
b) Banks / FI	32779		32779	0.04	0	0	0	0
c) Central Govt								0.04
d) State Govt(s)								
e) Venture Capital Funds								
f) Insurance Companies								
g) FIs								
h) Foreign Venture Capital Funds								
i) Others (specify) Foreign Portfolio Investor	0	0	0	0	450000	0	450000	0.53
Sub-total (B)(1):-	32779		32779	0.04	450000	0	450000	0.53
Sub-total (B)(2):-								-0.49

Category of Shareholders	[No. of Shares held at the beginning of the year]				[No. of Shares held at the end of the year]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	7639699	119506	7759205	9.17	7432642	119506	7552148	8.92	0.25
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	13862863	157660	14020523	16.56	14272742	157660	14430402	17.05	(0.49)
c) Others (specify)	5621182	1400	5621182	6.64	5186352	1400	5187752	6.13	(1.32)
NBFCs Registered with RBI	30000		30000	0.04	0		0	0	0.04
Unclaimed Suspense A/c	500		500	0	500	0	500	0	0
Non Resident Indians	0	-	0	0	0	-	0	0	0
Overseas Corporate Bodies	0	-	0	0	0	-	0	0	0
Foreign Nationals	271	-	271	0	271	0	271	0	0
Clearing Members	240320		240320	0.28	65607		65607	0.08	0.2
Trusts	500		500	0	0	0	0	0	0
Foreign Bodies - D R									
	27552995	120906	2767250	32.69	26958114	278566	27236680	32.18	0.51
<b>Sub-total (B)(2):-</b>									
Total Public (B)	27585774	120906	277705280	32.73	27408114	278566	27686680	32.71	0.02
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	84531124	120906	84652030	100	84373464	278566	84652030	100	-

(ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Hima Bindu Potluri	12373360	14.62	-	13398360	15.83	-	1.21
2	Ramesh Babu Potluri	14506960	17.14	-	14506960	17.14	-	-
3	T V V S N Murthy	8227000	9.72	-	5467000	6.46	-	3.26
4	Potluri Infra Projects LLP	5970000	7.05	-	5970000	7.05	3.54	0.00
5	T Annapurna	4390340	5.19	-	3365340	3.98	-	1.21
6	T V V S N Murthy (HUF)	3981340	4.70	-	3981340	4.70	-	-
7	Gopineedi Sudeepthi	1750000	2.07	-	1750000	2.07	-	-
8	Vamsi Krishna Potluri	2030590	2.40	1.35	4810590	5.68	2.4	3.28
9	Trilok Potluri	1431340	1.69	-	1431340	1.69	-	-
10	T V Praveen	1295340	1.53	-	1295340	1.53	-	-
11	SatyaVani Potluru	756660	0.89	-	756660	0.89	-	-
12	Potluri Laboratories Private Limited.	232420	0.27	-	232420	0.27	-	0.00
	<b>Total</b>	<b>56945350</b>	<b>67.27</b>	<b>3.55</b>	<b>56965350</b>	<b>67.29</b>		

(iii) Change in Promoters' shareholding (Please specify, if there is a change)

Sl. No.	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of Shares	% of total shares	No. of shares	% of total shares
	At the beginning of the year	01-April -2019	-	56945350	67.27	-	-
	Date wise increase/decrease in Promoters shareholding during the year		Nil		Nil	20,000 (18-09-2019)	0.02
	At the end of the year	31-March-2020				56965350	67.29

**(iv) Shareholding Pattern of top ten Shareholders  
(Other than Directors, Promoters and Holders of GDRs and ADRs):**

Sl. No	For each of top 10 shareholders	Shares at the beginning of the year		Change in shareholding			Cumulative shareholding during the year	
		No. of Shares	% of total shares of the Company	Date	Increase / Purchase	Decrease/ Sale	No. of Shares	% of total shares of the Company
1	Venkata Subbaraju Penmatsa	17,90,000	2.11	-	-	-	17,90,000	2.11
2	Madhusudan Murlidhar Kela	885599	1.05	19-04-2019	500000	-	13,85,599	1.64
3	Vivek Mundra	11,62,834	1.38	-	-	-	11,62,834	1.38
4	Aniruddh Mundra	11,49,900	1.36	-	-	-	11,49,900	1.36
5	Chamundeswara Nath Vankina	100000	0.12	17-05-2019	7,411	-		
				19-07-2019	1,07,098	-		
				26-07-2019	14,464	-		
				02-08-2019	2,78,438	-		
				04-08-2019	85,801	-		
				13-03-2020	30	-	5,93,242	0.7
6	Dovetail India Fund Class II Shares	0	0	30-08-2019	4,50,000	-	4,50,000	0.53
7	Hari kishore Potluri.	4,30,060	0.51	-	-	-	4,30,060	0.51
8	Alpana Mundra	3,66,726	0.43	05-07-2019	2,146	-	3,68,872	0.04
9	Sreenivasulu Reddy Mallu	3,01,000	0.36	-	-	-	3,01,000	0.36
10	Mr. Mallikarjuna Chemicals Private Limited	2,47,000	0.29	-	-	-	2,47,000	0.29

**(v) Shareholding of Directors and Key Managerial Personnel:**

SN	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Mr. Ramesh Babu Potluri						
	At the beginning of the year	01.04.2019	-	14506960	17.14	-	-
	Changes during the year	-	-	-	-	-	-
	At the end of the year	31.03.2020		-	-	14506960	17.14
2	Mr. TVVSN Murthy	01.04.2019					
	At the beginning of the year		-	8227000	9.72		
	Changes during the year		sale	2760000	3.26		
	At the end of the year	31.03.2020				5467000	6.46

**V) INDEBTEDNESS – Indebtedness of the Company including interest outstanding / accrued but not due for payment:**

Particulars	Secured Loans excluding deposits	Unsecured loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	14,376.91	120.00	-	14,496.91
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>14,376.91</b>	<b>120.00</b>	<b>-</b>	<b>14,496.91</b>
<b>Change in indebtedness during the financial year</b>				
<b>Addition</b>				
Principal amount	4,091.60	0.00	0.00	4,091.60
Interest Accrued but not due	70.61			70.61
<b>Reduction</b>				
Principal Amount	(3,239.89)	0.00	0.00	(3,239.89)
Interest Accrued but not due	-	-	-	-
<b>Others</b>				
<b>Net Change</b>	<b>922.23</b>	<b>-</b>	<b>-</b>	<b>922.23</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	15,228.62	120.00	-	15,348.68
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	70.61	-	-	70.61
<b>Total (i+ii+iii)</b>	<b>15,229.23</b>	<b>120.00</b>	<b>-</b>	<b>15,419.23</b>



## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		Mr. Ramesh Babu Potluri	Mr. TVVSN Murthy	
	Name	Chairman	Director	
	Designation			
1	Gross salary	In lacs	In lacs	In lacs
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	198.00		198.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	4.76		4.76
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	61.46		61.46
2	Stock Option			
3	Sweat Equity			
4	Commission			
	- as % of profit			
	- others, specify			
5	Others, please specify			
	<b>Total (A)</b>	<b>264.22</b>		<b>264.22</b>
	Overall Ceiling as per the Act			267.01

### B. Remuneration to other Directors

SN.	Particulars of Remuneration	Name of Directors					Total Amount (INR)
		*Mr. P Venkata Subba Rao	****Mr. P. Sarath Kumar	Dr. Mrs. T. Neelaveni	Mr. Shravan Kudaravalli	**Mr.S.Mr. nivas	
1	Independent Directors						
	Fee for attending Board & committee meetings	1,00,000	2,45,000	3,30,000	3,05,000	45,000	
	Commission						
	Others, please specify						
	<b>Total (1)</b>	<b>1,00,000</b>	<b>2,45,000</b>	<b>3,30,000</b>	<b>3,05,000</b>	<b>45,000</b>	<b>10,25,000</b>

2	<b>Other Non-Executive Directors</b>		***Exim Bank's Ms. Shilpa R Waghmare (Nominee Director)	Mr. TVVSN Murthy	0	0	-
	Fee for attending board committee meetings		55,000	0.00			55,000
	Commission						
	Others, please specify						
	<b>Total (2)</b>		55,000				
	<b>Total (B)=(1+2)</b>	1,00,000	3,00,000	3,30,000	3,05,000	45,000	10,80,000
	Total Managerial Remuneration						267.56
	Overall Ceiling as per the Act						320.41

\* Mr.PS.Rao has resigned from the Board w.e.f. 10<sup>th</sup> August, 2019.

\*\* Mr.Sarvepalli Mr.nivas has been appointed to the Board on 12<sup>th</sup> August, 2019

### C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

SN.	Particulars of Remuneration	SN.	Name of Key Managerial Personnel			Total Amount
			CEO	CFO	CS	(Rs)
	Designation					
	Name	N.A.	Mr. Lakshmi Narayana	Mr. V.S. Venkatesh		
1	Gross salary		17.71	6.54		24.25
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961					
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961					
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961					
2	Stock Option					
3	Sweat Equity					
4	Commission					
	- as % of profit					
	- others, specify					
5	Others, please specify					
	<b>Total</b>	-	<b>17.71</b>	<b>6.54</b>		<b>24.25</b>

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty			<b>NIL</b>		
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty			<b>NIL</b>		
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty			<b>NIL</b>		
Punishment					
Compounding					

By the order of the Board

Place: Hyderabad  
Date: 05-06-2020

**Ramesh Babu Potluri**  
Chairman and Managing Director  
(DIN:00166381)

## ANNUAL REPORT ON CSR ACTIVITIES

(Pursuant to the section 135 of the Companies Act, 2013 read with rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014)

1	<b>A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.</b>	<p>The Company shall carry its normal business in a manner that is beneficial to society &amp; environment also in addition to propagation of business. For SMS Pharmaceutical Limited, Corporate Social Responsibility (CSR) means having business policies that are ethical, equitable, environmentally conscious, gender sensitive and sensitive towards the differently abled. We are working for:</p> <ul style="list-style-type: none"> <li>i. Promoting preventive health care, sanitation making available for safe drinking water.</li> <li>ii. Education and rural development and related activities.</li> </ul>															
2	The Composition of the CSR Committee.	<table border="1"> <tr> <td data-bbox="725 737 873 839">Mr. Ramesh Babu Potluri</td> <td data-bbox="873 737 1146 839">Executive Director - Chairman &amp; Managing Director</td> <td data-bbox="1146 737 1285 839">Chairperson</td> </tr> <tr> <td data-bbox="725 839 873 911">Mr. P. Sarath Kumar</td> <td data-bbox="873 839 1146 911">Non- Executive &amp; Independent Director</td> <td data-bbox="1146 839 1285 911">Member</td> </tr> <tr> <td data-bbox="725 911 873 1002">Mr. Shraavan Kudaravalli</td> <td data-bbox="873 911 1146 1002">Non- Executive &amp; Independent Director (w.e.f. 12<sup>th</sup> August, 2019)</td> <td data-bbox="1146 911 1285 1002">Member</td> </tr> <tr> <td data-bbox="725 1002 873 1093">Mr. Sarvepalli Mr.nivas</td> <td data-bbox="873 1002 1146 1093">Non- Executive &amp; Independent Director (w.e.f. 12<sup>th</sup> August, 2019)</td> <td data-bbox="1146 1002 1285 1093">Member</td> </tr> <tr> <td data-bbox="725 1093 873 1195">Mr. P.S. Rao</td> <td data-bbox="873 1093 1146 1195">Non- Executive &amp; Independent Director (upto 10<sup>th</sup> August, 2019)</td> <td data-bbox="1146 1093 1285 1195">Member</td> </tr> </table>	Mr. Ramesh Babu Potluri	Executive Director - Chairman & Managing Director	Chairperson	Mr. P. Sarath Kumar	Non- Executive & Independent Director	Member	Mr. Shraavan Kudaravalli	Non- Executive & Independent Director (w.e.f. 12 <sup>th</sup> August, 2019)	Member	Mr. Sarvepalli Mr.nivas	Non- Executive & Independent Director (w.e.f. 12 <sup>th</sup> August, 2019)	Member	Mr. P.S. Rao	Non- Executive & Independent Director (upto 10 <sup>th</sup> August, 2019)	Member
Mr. Ramesh Babu Potluri	Executive Director - Chairman & Managing Director	Chairperson															
Mr. P. Sarath Kumar	Non- Executive & Independent Director	Member															
Mr. Shraavan Kudaravalli	Non- Executive & Independent Director (w.e.f. 12 <sup>th</sup> August, 2019)	Member															
Mr. Sarvepalli Mr.nivas	Non- Executive & Independent Director (w.e.f. 12 <sup>th</sup> August, 2019)	Member															
Mr. P.S. Rao	Non- Executive & Independent Director (upto 10 <sup>th</sup> August, 2019)	Member															
3	<b>Average net profit of the company for last three financial years</b>	Rs 5,476.50 Lakhs															
4	<b>Prescribed limit for CSR Expenditure (two per cent. of the amount as in item 3 above)</b>	Rs 109.52 Lakhs															
5	<b>Details of CSR spent during the financial year</b> (a) <b>Total amount spent for the financial year</b> (b) <b>Amount unspent, if any</b>	<p>Rs. 53.18 lakhs</p> <p>Rs. 56.34 lakhs</p>															

**Manner in which the amount spent during the financial year is detailed below.**

Sl. No	CSR project or activity identified	sector in which the project is covered	Location of Project or Programme	Amount outlay (budget) project or wise (Rs. In Lakhs)	Amount spent on the projects or programs Sub heads: (1)Direct expenditure (2) Overheads (Rs in Lakhs)	Cumulative -expenditure upto to the reporting period (Rs in Lakhs)	Amount spent Direct or through implementing agency
1.	Support to Udbhav School, Managed by IIMAAA Hyderabad Charitable Trust for education of children	Educating Girl children	Hyderabad charitable Trust for education of children, belonging to below poverty	0.50	Managed by IIMAAA Hyderabad ₹ 0.50	0.50	Through Udbhav School,
2	Collector & Conservator AG Auditorium,	Erection of Biggest National Flag	Collectorate complex Vizianagarm Dist. AP	2.00	Vizianagaram Dist. AP Collectorate ₹ 2.00	2.00	Collectorate Vizianagarm
3	Sahrudaya Health, Medical and Educational Trust	Support for open heart surgery program for children and education to Poor people	Guntur Government General Hospital & others.	10.00	Through Sahrudaya health medical & Educational Trust to the Government General hospital Guntur Andhra Pradesh and others ₹10.00	10.00	Sahrudaya Health, Medical and Educational Trust
4	Asian Health Care Foundation	Organizing various kinds of medical / health camps for benefit of poor	Asian health care foundation	15.00	Arrange & organize various kinds of medical/health camps ₹ 15.00	15.00	Asian Health care foundation
5	Commissioner of Police, visakhapatnam AP	Utilizing for buying the protective essentials	Visakhapatnam Andhra Pradesh welfare of Police force on duty for protection from COVID 19	10.00	Protective essentials like sanitizers, masks etc, and for providing food and shelter ₹ 10.00	10.00	Commissioner of Police

6	Superintendent of Police Vizianagaram	Utilizing for buying protective essentials	Superintendent of police, vizianagaram Andhra Pradesh	05.00	Buying essentials like sanitizers, masks etc and for providing food and shelter – COVID 19 Rs. 10.00	05.00	Superintendent of Police
7	Telangana Police Hyderabad	Protection from COVID 19	Secretary Telangana Police Welfare Funds Hyderabad	10.00	Funds utilizing for buying the protective essentials like sanitizers, masks etc., ₹ 10.00	10.00	Telangana Police welfare funds
8	Building Government School Building	Government School authorities	Poosapatirega, Vizianagaram District, Andhra Pradesh	0.68	Additional class rooms and furniture ₹ 0.68	0.68	Direct
<b>TOTAL</b>				<b>53.18</b>	<b>53.18</b>	<b>53.18</b>	<b>-</b>

5. The company could not spend entire two percentage of average net profits of the last three financial years. The company has initiated for construction of School building, health centers and drinking water facilities and also is making efforts to spend the unspent amount of ₹ 56.34 lakhs.

#### 6. Under implementation of CSR projects

- a) Renovation public health case at Govindapuram, village, Poosapatirega Mandal, vizianagaram Dist. Andhra Pradesh which is nearby about 2 kM way from our Unit VII – ₹ 5.00/- lakhs
  - b) Drinking water facilities proposing to provide at Guppam & pathiwada village, vizianagaram Dist. Andhra Pradesh. These villages are nearby our Unit – VII manufacturing facility – ₹ 10.00/- lakhs
  - c) Govindapuram Existing health center renovation ₹ 5.00/- lakhs
  - d) Construction of New Building for ZPH school at Unguturu, Krishna Dist, AP ₹ 50.00/- lakhs
  - e) Construction of hospital for public health at Unguturu, Krishna Dist. AP – ₹ 20-00/- lakhs
  - f) Others implementation projects - ₹ 7.02/- lakhs
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

By the order of the Board

Place: Hyderabad  
Date: 05-06-2020

**Ramesh Babu Potluri**  
Chairman and Managing Director  
(DIN:00166381)

**Annexure-9**

Information in terms of Sec. 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014

(Rs In Lakhs)

NAME	DESIGNATION	Remuneration for FY 2019-20	% increase/ decrease in remuneration during FY 2019-20	Ratio of remuneration of each director to the median remuneration of employees
Mr. P. Ramesh Babu	Executive Director (Chairman & Managing Director)	277.81	(14.17)	1:116.3
Mr. TVVSN Murthy	None Executive - Director	-	-	-
Mr. P. Sarath Kumar	Non-Executive & Independent Director	-	-	-
Dr. T (Mrs.) Neelaveni	Non-Executive & Independent Director	-	-	-
*Mr. P. S. Rao	Non-Executive & Independent Director	-	-	-
Mr. Shravan Kudaravalli	Non-Executive & Independent Director	-	-	-
**Mr.S.Mr.nivas	Non-Executive & Independent Director	-	-	-
Ms. Shilpa R Waghmare	Non-Executive & Nominee Director	-	-	-
Mr. Lakshmi Naryana T	Chief Financial Officer	17.71	9.42	NA
Mr. V.S.Venkatish	Company Secretary	6.52	NA	NA

\*Mr.PS.Rao has resigned from the Board with effect from 10<sup>th</sup> August, 2019

\*\*Mr.S.Mr.nivas has been appointed to the Board on 12<sup>th</sup> August, 2019

- The average percentage decrease in remuneration of Director is (22.25 the average increase / decrease in remuneration of CFO is 9.42%.)
- The average percentage increase in remuneration of employees except Directors and KMP is (49.51)
- Change in median remuneration of employees is 31.62%
- At the year end the company had 806 employees directly employed.
- Remuneration paid to the Managerial Personnel is a per remuneration policy of the Company.
- The Non-executive Directors of the Company are entitled for sitting fees as per the statutory provisions and within the limits approved by shareholders. The details of remuneration (Sitting fees) of Non-Executive Directors are provided in the Corporate Governance Report. The Ratio of remuneration and percentage increase for non-executive Directors Remuneration is therefore not considered for the purposes above.

The remuneration philosophy of the Company is to provide market competitive compensation which drives a high performance culture. Every year, the salary increases are based on benchmarking with similar profiled organizations and market competitiveness. The variable component is paid out to an employee on the basis of performance of the Company, the corresponding business unit or function and his/her own performance.

## **Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo**

[Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014]

### **CONSERVATION OF ENERGY**

Various initiatives such as the installation of VFDs, replacement of energy inefficient equipment, usage of energy efficient agitators and moving detectors were undertaken. Improved water conservation utilizing condensate/purified water, Reduction of time cycles by optimizing processes and replaced the HPSV bulbs with high efficiency LED bulbs. With these initiatives lot of power consumption was saved.

### **TECHNOLOGY ABSORPTION**

#### **1. Efforts in brief, made towards technology absorption:**

The company has a full-fledged R&D division continuously engaged in research on new products and process improvement of existing products as part of continuous improvement. The Company constantly reviews, optimizes and improves its processes for its product range. These efforts have resulted in lower cost of production, achieve consistent exports and be competitive in the global market. The process upgradations also brought about improvement in green chemistry by reducing reagents, minimize wastes and increasing recoveries.

#### **2. Benefits derived as a result of the above efforts:**

Successful development of complex generics Active Pharmaceutical Ingredients accomplished through innovation and science. Improved quality by adopting a quality by design concept. Technology adoption yielded improvement in robustness and cost.

#### **3. R&D Expenditure**

The details of expenditure incurred in R&D centre of the company for the FY 2019-20 refer Note No. 41 of Notes to financial Statements.

By the order of the Board

Place: Hyderabad  
Date: 05-06-2020

**Ramesh Babu Potluri**  
Chairman and Managing Director  
(DIN:00166381)



**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**

for the Financial Year ended 31<sup>st</sup> March, 2020

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To the Members,  
SMS Pharmaceuticals Limited,  
Hyderabad.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **SMS Pharmaceuticals Limited** ("the Company"). Secretarial Audit was conducted in a manner that provided us as on able basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we here by report that in our opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2020 complied with the statutory provisions listed here under and also that the Company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2020 according to the provisions of:

- (i) The Companies Act, 2013(the Act)and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA')and the rules made hereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under to the extent of Regulation 76;
- (iv) Foreign Exchange Management Act,1999and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers)Regulations,2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations,2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements)Regulations, 2018 (SEBI ICDR Regulations) **(not Applicable to the Company during the Audit Period)**;
  - (d) The Securities and Exchange Board of India(Share Based Employee Benefit) Regulations, 2014 **(not Applicable to the Company during the Audit Period)**;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations,2008 **(not Applicable to the Company during the Audit Period)**;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(not Applicable to the Company during the Audit Period)**; and
- (h) The Securities and Exchange Board of India (Buy back of Securities) Regulations, 2018 **(not Applicable to the Company during the Audit Period)**;
- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India; and
- (ii) The Listing Agreements entered by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc., mentioned above.

- (vi) We further report that, having regard to the Compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof the Company has complied with the following laws applicable specifically to the Company:

- (a) Drugs and Cosmetics Act, 1940
- (b) Drugs (Price Control) Order, 2013
- (c) Narcotic Drugs and Psychotropic Substances Act, 1985
- (d) Indian Boilers Act, 1923 and Regulations
- (e) Explosives Act, 1884
- (f) Petroleum Act, 1934
- (g) Water (Prevention and Control of Pollution) Act, 1974
- (h) Air (Prevention and Control of Pollution) Act, 1981
- (i) Environment Protection Act, 1986

We have not examined compliance by the Company with applicable financial laws, like direct and indirect tax laws, since the same have been subject to review by statutory financial audit and other designated professionals.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent well in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the Meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

We further report that based on the review of the Compliance Reports / Certificates which were taken on record by the Directors, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the Audit Period, except for the following events, there was no event/action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, etc.

- a. Mr. Sarvepalli Mr.niv as is appointed as an Independent Director by the Board of Directors with effect from 12<sup>th</sup> August, 2019 and is approved by the Shareholders in the Annual General Meeting held on 30<sup>th</sup> September, 2019;
- b. Mr. P. S. Rao resigned as Independent Director with effect from 12<sup>th</sup> August, 2019;

For SVVS & Associates  
Company Secretaries LLP  
**C. SUDHIR BABU**  
Designated Partner  
FCS: 2724; C P No.: 7666  
UDIN: F002724B000320833

Place: Hyderabad  
Date: 05-06-2020

**Note: This letter is to be read with our letter of even date which is annexed and form an integral part of this report.**

## ANNEXURE

The Members,  
SMS Pharmaceuticals Limited,  
Hyderabad.

- (1) Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- (2) We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- (3) We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- (4) Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- (5) The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the Management. Our examination was limited to the verification of procedures on random test basis.
- (6) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For SVVS & Associates  
Company Secretaries LLP  
**C. SUDHIR BABU**  
Designated Partner

Place: Hyderabad  
Date: 05-06-2020

**SECRETARIAL COMPLIANCE REPORT OF SMS PHARMACEUTICALS LIMITED FOR THE YEAR ENDED  
MARCH 31, 2020**

To  
SMS Pharmaceuticals Limited,  
Plot No. 72, H. No. 8-2-334/3&4,  
Road No. 5, Opp. SBI Executive Enclave,  
Banjara Hills, Hyderabad – 500034.

We, CSB Associates, Company Secretaries, have examined:

- a) all the documents and records made available to us and explanation provided by SMS Pharmaceuticals Limited (“the Listed Entity”),
- b) the filings/ submissions made by the listed entity to the Stock Exchanges,
- c) website of the listed entity,
- d) any other document/ filing, as may be relevant, which has been relied upon to make this certification,

for the year ended March 31, 2020 (“Review Period”) in respect of compliance with the provisions of:

- a) the Securities and Exchange Board of India Act, 1992 (“SEBI Act”) and the Regulations, circulars, guidelines issued thereunder; and
- b) the Securities Contracts (Regulation) Act, 1956 (“SCRA”), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India (“SEBI”);

The specific Regulations, whose provisions and the circulars/ guidelines issued thereunder, have been examined, include:-

- a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (there were no events requiring compliance during the Review Period)
- c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (there were no events requiring compliance during the Review Period)
- e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (there were no events requiring compliance during the Review Period)
- f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (there were no events requiring compliance during the Review Period)
- g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013; (there were no events requiring compliance during the Review Period)
- h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- i) Securities and Exchange Board of India (Depositories and Participant) Regulations, 2018;

and circulars/ guidelines issued thereunder;

- a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder, except in respect of matters specified below:

<b>Sl. No.</b>	<b>Compliance Requirement (Regulations/ circulars/ guidelines including specific clause)</b>	<b>Deviations</b>	<b>Observations/ Remarks of the Practicing Company Secretary</b>
1.	<b>Regulation 40(9) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015</b>	<b>Late filing of the Certificate with BSE Limited</b>	Compliance Certificate under Regulation 40(9) of SEBI (Listing Obligations and Disclosure Requirements, Regulations, 2015 for the Half Year ended 30 <sup>th</sup> September, 2019, was filed after the due date.

- b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder in so far as it appears from our examination of those records.
- c) There were no actions taken against the listed entity/its promoters/directors/ material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder in so far as it appears from our examination of those records.
- d) The reporting of actions by the listed entity to comply with the observations made in previous reports is not applicable during the Review Period.

Place: Hyderabad  
Date: 5<sup>th</sup> June, 2020

**For CSB Associates,**  
Company Secretaries,  
**C. Sudhir Babu,**  
Proprietor,  
**FCS: 2724, CP: 7666.**  
**UDIN: F002724B000320767**

## **CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS**

(Pursuant to Regulation 34(3) and Schedule V Para C Clause 10(i) of the SEBI  
(Listing Obligations and Disclosure Requirements) Regulations, 2015)

To  
The Members,  
SMS Pharmaceuticals Limited,  
Regd. Office: Plot No. 72, H. No. 8-2-334/3&4,  
Road No. 5, Opp. SBI Executive Enclave,  
Banjara Hills, Hyderabad – 500034.

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **SMS Pharmaceuticals Limited** having CIN: **L24239TG1987PLC008066** and having Registered Office at Plot No. 72, H. No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad, (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub Clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and explanations furnished to me by the Company and its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on 31<sup>st</sup> March, 2020, have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority:

<b>Sl. No.</b>	<b>Name of Director</b>	<b>DIN</b>	<b>Date of appointment in Company</b>
1.	Ramesh Babu Potluri	00166381	01-12-2008
2.	T. V. V. S. N. Murthy	00465198	11-12-2003
3.	Dr. Neelaveni Thummala	00065571	12-08-2014
4.	Sarath Kumar Pakalapati	01456746	12-08-2014
5.	Sarvepalli Mr.nivas	02292051	12-08-2019
6.	Shravan Kudaravalli	06905851	26-05-2018
7.	Shilpa R. Waghmare	07009966	31-01-2019

Ensuring the eligibility of for the appointment/ continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**C. Sudhir Babu,**

Practicing Company Secretary,

Proprietor, CSB Associates.

Membership No.: 2724, C.P. No.: 7666.

UDIN: F002724B000320791

Place: Hyderabad  
Date: 05-06-2020

## COMPLIANCE CERTIFICATE

[As per SEBI (LODR) Regulation 17(8)]

- A) We have reviewed Annual audited financial statements and cash flow statement for the year ended 31<sup>st</sup> March, 2020 and that to the best of our knowledge and belief:
- 1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - 2) These statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B) We are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year ended on 31<sup>st</sup> March, 2020 which are fraudulent, illegal or violative of the Company's code of conduct.
- C) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps they have taken or propose to take to rectify these deficiencies.
- D) We have indicated to the auditors and the Audit committee
- 1) significant changes in internal control over financial reporting during the said financial year;
  - 2) significant changes in accounting policies during the said financial year and that the same have been disclosed in the notes to the financial statements; and
  - 3) There are no instances of fraud of which we have become aware and the involvement thereof by the Management or an employee having a significant role in the Company's internal control system over financial reporting.

For SMS Pharmaceuticals Limited  
**T. Lakshminaryana**  
Chief Financial Officer

For SMS Pharmaceuticals Limited  
**Ramesh Babu Potluri**  
Chairman & Managing Director  
(DIN: 00166381)

Place: Hyderabad  
Date: 05-06-2020

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## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members  
SMS Pharmaceuticals Limited.

We have examined the compliance of conditions of Corporate Governance by M/s SMS Pharmaceuticals Limited ('the Company') for the year ended 31<sup>st</sup> March, 2020, as per the relevant provisions of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the Listing Regulations. It is neither an audit nor an expression of opinion on Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations, made by the Directors and the Management we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable.

We further state that such compliance is neither an assurance as to the further viability of the Company nor the efficiency or effectiveness with which Management has conducted the affairs of the Company.

Place: Hyderabad

Date: 05-06-2020

For Suryanarayana & Suresh  
Chartered Accountants  
Firm Reg. No: 006631S  
V Nagendra Rao  
Partner

M.No. 227679  
UDIN : 20227679AAAAACR9700

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## DECLARATION ON CODE OF CONDUCT

The Members of  
SMS Pharmaceuticals Limited

This is to confirm that the Board has laid down a Code of Conduct for all Board Members and senior management personnel of the Company. The code of conduct has also been posted on the website of the Company. It is further confirmed that all Directors and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended on 31<sup>st</sup> March, 2020 as envisaged in Listing Regulations.

**Place: Hyderabad**  
**Date: 05-06-2020**

For SMS Pharmaceuticals Limited  
**Ramesh Babu Potluri**  
**Chairman & Managing Director**  
**(DIN:00166381)**



## Independent Auditors' Report

To the Members of  
**SMS Pharmaceuticals Limited**  
**Report on the Audit of the Standalone Financial Statements**

### Opinion

We have audited the standalone financial statements of SMS Pharmaceuticals Limited ("the Company"), which comprise the balance sheet as at 31 March 2020, and the statement of Profit and Loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the standalone financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current year. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sr. No.	Key Audit Matter	Auditor's Response
I	Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard)	<p>Principal Audit Procedures</p> <p>We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard.</p> <p>Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <ul style="list-style-type: none"> <li>• Evaluated the design of internal controls relating to implementation of the new revenue accounting standard.</li> <li>• Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence in respect of operation of these controls.</li> </ul>

		<ul style="list-style-type: none"> <li>• Selected a sample of continuing and new contracts and performed the following procedures:             <ol style="list-style-type: none"> <li>1. Read, analysed and identified the distinct performance obligations in these contracts.</li> <li>2. Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration.</li> </ol> </li> </ul>
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### Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Company's Annual Report, but does not include the standalone financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

### Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Financial Statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

- (A) As required by Section 143(3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the statement of changes in equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- The Company has disclosed the impact of pending litigations as at 31st March, 2020 on its financial position in its Standalone Ind AS Financial Statements as referred to in note 49 to the Standalone Ind AS Financial Statements.
  - The Company did not have material foreseeable losses, if any, on long-term contracts including derivative contracts.
  - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **Suryanarayana & Suresh.,**  
Chartered Accountants  
Reg. No.006631S

**V Nagendra Rao**  
Partner

M. No. 227679

UDIN: 20227679AAAACP9291

Place: Hyderabad  
Date: 05-06-2020

## “Annexure A” to the Independent Auditors’ Report

Referred to in paragraph I under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the standalone financial statements of the Company for the year ended March 31, 2020:

- 1) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified in a phased manner. In our opinion the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to information and explanations given by the management, the title deeds/lease deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- 2) In respect of Inventories:
  - a) As explained to us the inventories have been physically verified during the year by the management at reasonable intervals.
  - b) In our opinion and according to the information and explanations given to us the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the company and nature of its business.
  - c) In our opinion and according to the information and explanations given to us the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- 3) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (C) of the Order are not applicable to the Company and hence not commented upon.
- 4) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 In respect of loans, investments, guarantees, and security.
- 5) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- 6) We have broadly reviewed the cost records maintained by the Company pursuant to the rules prescribed by the Central Government of India under Section 148(1) of the Companies Act, 2013 and are of the opinion that prima facie the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- 7) a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Goods and Service Tax and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2020 for a period of more than six months from the date on when they become payable.
- b) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute except the following:

S. No	Name of the Statute	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (Rs.Lakhs)	Amount Unpaid (Rs.Lakhs)
1	Telangana Tax on Entry of Goods into local Area Act, 2001	Entry Tax	APPELLATE JOINT COMMISSIONER (ST)	2013-14	1.75	1.14

- c) In our opinion there are no amounts required to be transferred to Investor Education and Protection Fund by the company.
- 8) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institution or banks. The Company has not issued any debentures.
- 9) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.
- 10) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
- 11) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- 12) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
- 13) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- 14) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
- 15) Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- 16) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

For **Suryanarayana & Suresh.**,  
Chartered Accountants  
Reg. No.006631S

**V Nagendra Rao**  
Partner

M. No. 227679

UDIN: 20227679AAAACP9291

Place: Hyderabad  
Date: 05-06-2020

## **“Annexure B” to the Independent Auditor’s Report**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of SMS Pharmaceuticals Limited (“the Company”) as of March 31, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **Management’s Responsibility for Internal Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors’ Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls over financial reporting.

#### **Meaning of Internal Financial Controls over Financial Reporting**

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the standalone financial statements.

### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Suryanarayana & Suresh.,**  
Chartered Accountants  
Reg. No.006631S

**V Nagendra Rao**  
Partner

M. No. 227679

UDIN: 20227679AAAACP9291

Place: Hyderabad  
Date: 05-06-2020



## Standalone Balance Sheet as at 31st March, 2020

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	As at 31st March, 2020	As at 31st March, 2019
<b>I</b>	<b>ASSETS</b>			
<b>I</b>	<b>Non-Current Assets</b>			
(a)	Property, Plant and Equipment	5	<b>27,518.98</b>	28,010.79
(b)	Right-of-use Assets	5	<b>446.31</b>	-
(c)	Capital Work-in-Progress	5	<b>4,212.31</b>	1,830.13
(d)	Intangible Assets	6	<b>83.26</b>	114.88
(e)	Financial Assets:			
(i)	Investments	7	<b>4,499.87</b>	4,499.87
(ii)	Bank Balances	8	<b>224.89</b>	212.50
(iii)	Other Financial Assets	9	<b>331.95</b>	343.04
(f)	Other Non-Current Assets	10	<b>3,514.63</b>	1,911.81
	<b>Total</b>		<b>40,832.20</b>	36,923.02
<b>2</b>	<b>Current Assets</b>			
(a)	Inventories	11	<b>12,920.02</b>	13,639.98
(b)	Financial Assets			
(i)	Trade Receivables	12	<b>4,877.07</b>	2,602.25
(ii)	Cash and Cash Equivalents	13	<b>954.42</b>	1,479.77
(iii)	Bank Balances (Other than (ii) above)	14	<b>10.91</b>	7.90
(iv)	Other Financial Assets	15	<b>28.50</b>	24.33
(c)	Other Current Assets	16	<b>2,776.81</b>	2,963.29
(d)	Current Tax Asset (Net)	17	<b>310.36</b>	41.51
	<b>Total</b>		<b>21,878.09</b>	20,759.03
	<b>TOTAL ASSETS</b>		<b>62,710.29</b>	57,682.05

## Standalone Balance Sheet as at 31st March, 2020

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	As at 31st March, 2020	As at 31st March, 2019
<b>II EQUITY AND LIABILITIES</b>				
<b>I Equity:</b>				
(a)	Equity Share Capital	18	846.52	846.52
(b)	Other Equity	19	35,895.87	33,145.84
	<b>Total</b>		<b>36,742.39</b>	<b>33,992.36</b>
<b>2 LIABILITIES</b>				
<b>A Non-Current Liabilities</b>				
(a)	Financial Liabilities			
(i)	Borrowings	20	6,822.10	6,221.05
(ii)	Lease Liabilities	20	477.99	-
(b)	Provisions	21	172.64	151.84
(c)	Deferred Tax Liabilities (Net)	22	3,974.41	3,061.84
	<b>Total</b>		<b>11,447.14</b>	<b>9,434.73</b>
<b>B Current Liabilities</b>				
(a)	Financial Liabilities			
(i)	Borrowings	23	6,115.52	7,080.86
(ii)	Trade Payables:	24		
(a)	Trade Payables - MSME		23.01	12.54
(a)	Trade Payables Otherthan MSME		4,426.39	4,757.33
(iii)	Other Financial Liabilities	25	2,843.76	1,296.85
(b)	Provisions	21	72.04	72.04
(c)	Other Current Liabilities	26	1,040.04	1,035.34
	<b>Total</b>		<b>14,520.76</b>	<b>14,254.96</b>
	<b>TOTAL LIABILITIES</b>		<b>25,967.90</b>	<b>23,689.69</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>62,710.29</b>	<b>57,682.05</b>
	Significant Accounting Policies	4		

The accompanying notes are integral part of the Standalone Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

For and on behalf of the Board of the Directors of

**SMS Pharmaceuticals Limited**

**V NAGENDRA RAO**

Partner

M.No. 227679

**RAMESH BABU POTLURI**

Chairman and Managing Director

DIN No : 00166381

**TVVSN MURTHY**

Director

DIN No : 00465198

Place: Hyderabad

Date : 05-06-2020

**T. LAKSHMI NARAYANA**

Chief Financial Officer

**V.S.VENKATISH**

Company Secretary

## Standalone Statement of Profit and Loss for the Year ended 31st March, 2020

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	Current Year 2019-20	Previous Year 2018-19
<b>1</b>	<b>Income</b>			
	Revenue from Operations	27	<b>41,194.69</b>	46,491.08
	Other Income	28	<b>511.34</b>	340.31
	<b>Total Income</b>		<b>41,706.03</b>	46,831.39
<b>2</b>	<b>Expenses</b>			
	Cost of Materials Consumed	29	<b>25,950.18</b>	30,719.13
	Changes in Inventories	30	<b>(1,314.08)</b>	(1,448.28)
	Manufacturing Expenses	31	<b>3,363.87</b>	3,484.18
	Employee Benefits Expense	32	<b>3,935.22</b>	3,558.67
	Finance Cost	33	<b>1,221.14</b>	1,187.34
	Depreciation and Amortization Expense	34	<b>2,206.64</b>	1,927.29
	Other Expenses	35	<b>1,267.50</b>	1,167.63
	<b>Total Expenses</b>		<b>36,630.47</b>	40,595.96
<b>3</b>	<b>Profit Before Tax (1-2)</b>		<b>5,075.56</b>	6,235.43
<b>4</b>	<b>Tax Expense</b>			
	(a) Current Tax			
	(i) relating to Current Year		<b>900.00</b>	1,350.00
	(ii) relating to Earlier Year	36	<b>(5.86)</b>	(16.64)
	(b) Deferred Tax		<b>912.57</b>	756.72
			<b>1,806.71</b>	2,090.08
<b>5</b>	<b>Profit for the Year (3-4)</b>		<b>3,268.85</b>	4,145.35
	<b>Other Comprehensive Income / (Loss)</b>			
	Items that will not be reclassified to Profit or Loss			
<b>6</b>	Remeasurement Gain/(Loss) of the defined benefit plans	37	<b>(13.15)</b>	(12.95)
<b>7</b>	Income Tax effect on the above		<b>(4.60)</b>	(4.53)
<b>8</b>	<b>Other Comprehensive Income/(Loss) after Tax for the Year (6-7)</b>		<b>(8.55)</b>	(8.42)
<b>9</b>	<b>Total Comprehensive Income/(Loss) for the Year</b>		<b>3,260.30</b>	4,136.93
<b>10</b>	<b>Earnings Per Share (Face Value of Re.1 each)</b>	38		
	-Basic and Diluted		<b>3.86</b>	4.90
	<b>Significant Accounting Policies</b>	4		

The accompanying notes are integral part of the Standalone Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

For and on behalf of the Board of the Directors of

**SMS Pharmaceuticals Limited**

**V NAGENDRA RAO**

Partner

M.No. 227679

**RAMESH BABU POTLURI**

Chairman and Managing Director

DIN No : 00166381

**TVVSN MURTHY**

Director

DIN No : 00465198

Place: Hyderabad

Date : 05-06-2020

**T. LAKSHMI NARAYANA**

Chief Financial Officer

**V.S.VENKATISH**

Company Secretary

## Standalone Statement of Changes in Equity for the Year Ended 31st March, 2020

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### a Equity Share Capital

Particulars	As at 31st March, 2020		As at 31st March, 2019	
	Number of Shares	Amount (₹)	Number of Shares	Amount (₹)
As at the Beginning of the Year	84,652,030	846.52	84,652,030	846.52
Changes in Equity Share Capital	-	-	-	-
As at the End of the Year	84,652,030	846.52	84,652,030	846.52

### b. Other Equity

Particulars	Reserves & Surplus				
	Securities Premium	Capital Redemption Reserve	General Reserve	Retained Earnings	Total Other Equity
<b>Balance as at 01st April, 2018</b>	6,981.84	155.00	5,304.28	16,822.92	29,264.04
Profit for the Year				4,145.35	4,145.35
Other Comprehensive Income for the year, net of Income Tax				(8.42)	(8.42)
<b>Total Comprehensive Income for the Year</b>	-	-	-	<b>4,136.93</b>	<b>4,136.93</b>
Transfer to General Reserve			1,000.00	(1,000.00)	-
Payment of dividends (including tax)				(255.13)	(255.13)
<b>Balance as at 31st March, 2019</b>	<b>6,981.84</b>	<b>155.00</b>	<b>6,304.28</b>	<b>19,704.72</b>	<b>33,145.84</b>
Balance as at 01st April, 2019	6,981.84	155.00	6,304.28	19,704.72	33,145.84
Profit for the Year				3,268.85	3,268.85
Other Comprehensive Income for the year, net of Income Tax				(8.55)	(8.55)
<b>Total Comprehensive Income for the Year</b>	-	-	-	<b>3,260.30</b>	<b>3,260.30</b>
Others				-	-
Transfer to General Reserve			1,000.00	(1,000.00)	-
Payment of dividends (including tax) (Refer Note No. 18.4)				(510.27)	(510.27)
<b>Balance as at 31st March, 2020</b>	<b>6,981.84</b>	<b>155.00</b>	<b>7,304.28</b>	<b>21,454.75</b>	<b>35,895.87</b>

The accompanying notes are integral part of the Standalone Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**  
Chartered Accountants  
FRN 006631S

For and on behalf of the Board of the Directors of  
**SMS Pharmaceuticals Limited**

**V NAGENDRA RAO**  
Partner  
M.No. 227679

**RAMESH BABU POTLURI**  
Chairman and Managing Director  
DIN No : 00166381

**TVVSN MURTHY**  
Director  
DIN No : 00465198

Place: Hyderabad  
Date : 05-06-2020

**T. LAKSHMI NARAYANA**  
Chief Financial Officer

**V.S.VENKATISH**  
Company Secretary

## Standalone Statement of Cash Flow for the Year Ended 31st March, 2020

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S No	Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
<b>A</b>	<b>Cash Flow from Operating Activities</b>		
	Profit Before Tax	5,075.56	6,235.43
	Adjustments for:		
	Depreciation and Amortisation Expense	2,206.64	1,927.29
	Interest Income	(16.06)	(18.92)
	Allowance for Doubtful Debts	-	10.30
	Interest on Non Current Borrowings	646.51	779.42
	Provision for Employee Benefits	12.24	(27.82)
	Amortisation of Transaction Cost on Borrowings	6.23	10.27
	Notional Rent Expense	4.94	-
	Loss on Sale of Assets	5.14	0.11
	<b>Operating Profit before Working Capital Changes</b>	<b>7,941.20</b>	<b>8,916.08</b>
	<b>Change in Operating Assets and Liabilities</b>		
	(Increase)/Decrease in Trade Receivables	(2,274.82)	(197.64)
	(Increase)/Decrease in Inventories	719.96	(2,892.45)
	(Increase)/Decrease in Other Non Current Financial Assets	11.08	(104.36)
	(Increase)/Decrease in Other Non Current Asset	(1,602.82)	(82.73)
	(Increase)/Decrease in Other Current Financial Assets	(4.18)	29.20
	(Increase)/Decrease in Other Current Assets	186.48	(601.65)
	(Increase)/Decrease in Prepaid Taxes	47.37	(53.26)
	Increase/(Decrease) in Trade Payables	(375.78)	898.34
	Increase/(Decrease) in Other Current Liabilities	533.06	402.31
		<b>(2,759.65)</b>	<b>(2,602.24)</b>
	<b>Cash generated from Operations</b>	<b>5,181.55</b>	<b>6,313.84</b>
	Income Tax Paid	(1,210.36)	(1,338.11)
	<b>Net Cash Inflow from Operating Activities "A"</b>	<b>3,971.19</b>	<b>4,975.73</b>

S No	Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
<b>B</b>	<b>Cash flows from Investing Activities</b>		
	Purchase of Property, Plant and Equipment	(4,273.40)	(3,483.82)
	Sale of Property, Plant and Equipment	13.36	9.29
	Margin Money Deposits	(27.45)	-
	Interest Received on Margin Money Deposit	31.12	7.19
	<b>Net Cash Outflow from Investing Activities "B"</b>	<b>(4,256.37)</b>	<b>(3,467.34)</b>
<b>C</b>	<b>Cash Flows from Financing Activities</b>		
	Proceeds from Long Term Borrowings	2,886.32	150.00
	Repayment of Long Term Borrowings	(1,075.00)	(1,637.50)
	Proceeds from Short Term Borrowings	1,199.56	4,067.20
	Repayment of Short Term Borrowings	(2,164.89)	(2,826.05)
	Interest paid on Borrowings	(575.90)	(790.22)
	Dividend Paid to Company's Shareholders	(510.26)	(255.13)
	<b>Net Cash Inflow (Outflow) from Financing Activities "C"</b>	<b>(240.17)</b>	<b>(1,291.70)</b>
	<b>Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(525.35)</b>	216.69
	Cash and Cash Equivalents at the Beginning of the Financial Year (Refer Note 13)	1,479.77	1,263.08
	<b>Cash and Cash Equivalents at End of the Year (Refer Note 13)</b>	<b>954.42</b>	1,479.77

The accompanying notes are integral part of the Standalone Financial Statements

- The Casho Flow statement has been prepered under the inditect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.
- Previous year figures have been regrouped/reclassified to confirm to current year classification.

as per our report of even date

for **SURYANARAYANA & SURESH**  
Chartered Accountants  
FRN 00663 IS

For and on behalf of the Board of the Directors of  
**SMS Pharmaceuticals Limited**

**V NAGENDRA RAO**  
Partner  
M.No. 227679

**RAMESH BABU POTLURI**  
Chairman and Managing Director  
DIN No : 00166381

**TVVSN MURTHY**  
Director  
DIN No : 00465198

Place: Hyderabad  
Date : 05-06-2020

**T. LAKSHMI NARAYANA**  
Chief Financial Officer

**V.S.VENKATISH**  
Company Secretary

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 1. Corporate Information:

SMS Pharmaceuticals Limited (SMS Pharma), (the 'Company') is a Company limited by Shares domiciled in India incorporated under the Companies Act, 1956. The registered office of the Company is Plot No.72, H.No.8-2-334/3&4, Road No.5, Opp.SBI Executive Enclave, Banjara Hills, Hyderabad-500 034, Telangana, India. The Equity Shares of the Company are listed in Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company is engaged in the business of manufacturing of Active Pharma Ingredients and their intermediates. The Company is having manufacturing facilities at Bachupally, Hyderabad and also at Kandivalasa in Vijayanagaram Dist, apart from R&D Center at Gagillapur, Hyderabad.

### 2. Basis of preparation of Standalone Financial Statements

#### 2.1 Statement of Compliance

The standalone financial statements of the Company have been prepared in accordance with the Indian Accounting Standards as notified under section 133 of the Companies Act 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules 2015 issued by Ministry of Corporate Affairs ('MCA'). The Company has uniformly applied the accounting policies during the years presented.

These standalone financial statements have been prepared by the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, 31<sup>st</sup> March, 2020. These Standalone Financial Statements for the year ended 31<sup>st</sup> March, 2020 were authorized and approved for issue by the Board of Directors on 05<sup>th</sup> June, 2020.

#### 2.2 Historical Cost Convention:

The standalone financial statements have been prepared on a going concern basis under the historical cost basis except for the following:

- employee defined benefit assets/(liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation; and
- ### 2.3 Current and Non-Current Classification:
- The Company presents assets and liabilities in the balance sheet based on current and non-current classification.
- (a) An asset is treated as current when it satisfies the below mentioned criteria:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
  - Held primarily for the purpose of trading;
  - Expected to be realized within twelve months after the reporting period, or
  - Cash or Cash Equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- (b) All Other Assets are classified as non-current.
- (c) A liability is classified as current when it satisfies the below mentioned criteria:
- Expected to settle the liability in normal operating cycle;
  - Held primarily for the purpose of trading;
  - Due to be settled within twelve months after the reporting period, or
  - There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
- Certain Financial Assets and Liabilities measured at Fair Value; (refer accounting policy regarding financial instruments).

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

- (d) All Other liabilities are classified as non-current.
- (e) Deferred Tax Assets and Liabilities are classified as non-current assets and liabilities.
- (f) The Operating Cycle is the time between the acquisition of assets for processing and their realization in Cash and Cash Equivalents. The Company has identified Twelve months as its Operating Cycle.

### 2.4 Functional and Presentation Currency:

These standalone financial statements are presented in Indian rupees (INR), which is also the functional currency of the Company. All amounts have been rounded-off to the nearest lakh, unless otherwise indicated.

### 3. New and amended standards adopted by the Company :

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

- Ind AS 116, Leases
- Long-term Interests in Associates and Joint Ventures - Amendments to Ind AS 28, Investments in Associates and Joint Ventures
- Uncertainty over Income Tax Treatments - Appendix C to Ind AS 12, Income Taxes
- Plan Amendment, Curtailment or Settlement - Amendments to Ind AS 19, Employee Benefits
- Amendment to Ind AS 12, Income Taxes
- Amendment to Ind AS 23, Borrowing costs

The amendments listed above did not have material impact on the financial statements.

### 4. Summary of Significant Accounting Policies:

The standalone financial statements have been prepared using the accounting policies and measurement basis summarized below:

#### 4.1 Revenue Recognition:

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. To recognize revenues, we apply the following five step approach:

- (1) identify the contract with a customer,
- (2) identify the performance obligations in the contract,
- (3) determine the transaction price,
- (4) allocate the transaction price to the performance obligations in the contract, and
- (5) recognize revenues when a performance obligation is satisfied.

The specific recognition criteria described below must also be met before revenue is recognised.

The Company's revenue is derived from sales of goods, service income and income from licensing arrangements. Most of such revenue is generated from the sale of goods. Accounting policies relating to revenue for the periods with effect from 01<sup>st</sup> April, 2018 are as follows:

#### (i) Revenue from Sale of Goods:

Revenue is recognized when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either upon shipment or upon receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable,



## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Company considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Company is entitled to receive in exchange for transferring promised goods or services, excluding amounts collected on behalf of third parties. The amount of consideration varies because of estimated rebates, returns and chargebacks, which are considered to be key estimates. Any amount of variable consideration is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur. The Company estimates the amount of variable consideration using the expected value method

Presented below are the points of recognition of revenue with respect to the Company's sale of goods:

Particulars	Point of recognition of revenue
Domestic Sales	Upon delivery of products to customers (generally formulation manufacturers), from the factories of the Company.
Export Sales	Upon delivery of the products to the customers unless the terms of the applicable contract provide for specific revenue generating activities to be completed, in which case revenue is recognised once all such activities are completed.

### (ii) Revenue from Sale of Services:

Revenue from Sale of services is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

### (iii) Export incentives:

Export incentives comprise of Duty draw back and MEIS (Merchandise Exports Incentive scheme) scrips. Duty drawback is recognised as income when the right to receive credit as per the terms is established in respect of the exports made.

MEIS is recognised as income on receipt of said scrips which will be after receipt of export proceeds. These scrips are freely transferable or can be utilized for the payment of customs duty on Imports.

### (iv) Dividend Income:

Dividends are received from financial assets at fair value through profit or loss and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of the investment.

### (v) Interest Income:

Interest income from financial assets at fair value through profit or loss is disclosed as interest income within other income. Interest income, on financial assets at amortised cost and financial assets at FVOCI, is calculated using the effective interest method and the same is recognized in the statement of profit and loss as part of other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 4.2 Foreign Currency Transactions:

#### i. Functional and Reporting Currency:

The standalone financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the Company.

#### ii. Initial Recognition:

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

#### iii. Conversion on Reporting Date:

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

#### iv. Exchange Differences:

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

### 4.3 Property, Plant and Equipment:

#### (a) Recognition and Initial Measurement

Property, Plant and Equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost

if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Cost includes non-refundable taxes, duties, freight, borrowing costs and other incidental expenses related to the acquisition and installation of the respective assets.

Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress. Advances paid towards acquisition of assets are shown as Capital Advances.

Borrowing Cost relating to acquisition of Property, Plant and Equipment which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to put to use.

Subsequent Costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

#### (b) Subsequent Measurement (Depreciation and Useful Lives)

Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

Depreciation on addition to/deletion from fixed assets made during the year is provided on pro-rata basis from/up to the date of such addition/deletion as the case

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

may be. In case of assets costing less than ₹ 5,000/- purchased during the year also depreciation has been provided at normal rates on pro-rata basis from the date of purchase.

Cost of the leasehold land is amortized on a straight-line basis over the term of the lease. Depreciation on landscape is being provided @10% under straight line method.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

### (c) De-recognition

An item of Property, Plant and Equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

### (d) Capital advances

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under other non-current assets as capital advances.

### (e) Capital work-in-progress

Capital work-in-progress includes cost of property, plant and equipment under installation/development as at the balance sheet date.

### 4.4 Investment Property:

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is

classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where its applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are depreciated using the straight-line method over their estimated useful lives. The useful life of buildings, classified as Investment properties, is considered as 30 years. The useful life has been determined based on technical evaluation performed by the management's expert.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their use. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of de-recognition.

### 4.5 Intangible Assets:

#### (a) Recognition and Initial Measurement

Intangible assets are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### (b) Subsequent measurement (amortization):

The cost incurred on Intangible Assets is amortized over a period of 6 years in case of Computer Software and 4 years for Patents on Straight Line Method.

### 4.6 Leases:

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Effective April 1, 2019, the Company adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 1, 2019 using the modified retrospective method.

#### Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Lease liability and ROU asset have been separately presented in the Balance Sheet

#### i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### ii) Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is premeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of asset (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease liability and ROU asset have been separately presented in the Balance Sheet.

### 4.7 Inventories:

Raw material, packaging material, are carried at cost. Stores and spares are being charged to revenue as and when purchased. Cost includes purchase price excluding taxes those are subsequently recoverable by the company from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of Raw Material, packaging material is determined using the weighted average cost method.

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Spare Parts, Stand-by Equipment and Servicing Equipment are recognized in accordance with this Ind AS-16 when they meet the definition of property, plant and Equipment. Otherwise, such items are classified as inventory and are valued at Cost.

The carrying cost of raw materials, packing materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

### 4.8 Cash and Cash Equivalents:

Cash and Cash equivalents include cash on hand and at bank, deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less that are readily convertible to a known amount of cash which are subject to an insignificant risk of changes in value and are held for meeting short-term cash commitments.

For the Statement of Cash Flows, cash and cash equivalents consists of short term deposits, as defined above, net of outstanding bank overdraft as they are being considered as integral part of the Group's cash management.

### 4.9 FINANCIAL INSTRUMENTS

#### (a) Financial Assets

##### (i) Initial recognition and measurement

All financial assets are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial asset is also adjusted.

##### (ii) Subsequent measurement

###### a. Debt instruments –

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

### b. Equity investments

All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified as at fair value through profit and loss (FVTPL). For all other equity instruments, the Company decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Company makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

#### Investment in Associates, Subsidiaries and Joint Venture:

Investments in subsidiaries and joint venture are carried at cost

less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and joint venture, the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries and joint ventures at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 01st April, 2016.

### (iii) De-recognition of financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

### (b) Financial liabilities

#### (i) Initial Recognition and Measurement

All financial liabilities are recognized initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortized cost.

#### (ii) Subsequent Measurement

These liabilities include borrowings and deposits. Subsequent to initial

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

recognition, these liabilities are measured at amortized cost using the effective interest method.

### (iii) De-recognition of Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### (c) Financial Guarantee Contracts

Financial Guarantee Contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of expected loss allowance determined as per impairment requirements of Ind-AS 109 and the amount recognised less cumulative amortization.

### (d) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to

offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### (e) Impairment of Financial Assets

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive. When estimating the cash flows, the Company is required to consider –

- All contractual terms of the financial assets (including Prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### (f) Trade Receivables

The Company applies approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of receivables.

### (g) Other Financial Assets

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 4.10 Income Taxes:

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the respective laws of the state. Current tax includes taxes to be paid on the profit earned during the year and for the prior periods.

Deferred income taxes are provided based on the balance sheet approach considering the temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where a component has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if it is probable that they can be utilised against future taxable profits.

The Carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

### 4.11 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chairman and managing director has been

identified as being the Chief Operating Decision Maker (CODM). The Company is engaged in manufacturing and sale of Active Pharma Ingredients and their Intermediates and operates in a single operating segment. Revenues are attributed to geographical areas based on the location of the customers.

### 4.12 Government Grants:

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

Government grants relating to loans or similar assistance with an interest rate below the current applicable market rate are initially recognized and measured at fair value. The effect of this favorable interest is regarded as a government grant and is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

### 4.13 Borrowings:

Borrowings are initially recognized at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.



## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of financial statements for issue, not to demand payment as consequence of the breach.

### 4.14 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

### 4.15 Provisions

Provisions are recognized when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable

estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provisions.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. Where the effect of the time of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognized as a finance cost.

Provision for litigation related obligation represents liabilities that are expected to materialize in respect of matters in appeal.

### 4.16 Dividends

The Company recognises a liability to make cash to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity. Interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

### 4.17 Research and Development:

Revenue Expenditure on Research and Development is charged to revenue in the year in which it is incurred. Capital Expenditure on research and development is added to Property, Plant and Equipment and depreciated in accordance with the policies of the Company.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 4.18 Employee Benefits:

#### (a) Defined Contribution Plan:

The Company's contribution to provident fund and employee state insurance schemes is charged to the statement of profit and loss. The Company's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan.

#### (b) Defined Benefit Plan:

The Company has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognized in the balance sheet for defined benefit plans as the present value of the defined benefit obligation (DBO) at the reporting date. Management estimates the DBO annually with the assistance of independent actuaries as per the requirements of IND AS 19 "Employee Benefits". Actuarial gains and losses resulting from re-measurements of the liability are included in other comprehensive income.

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lump sum after deduction of necessary taxes upto a maximum limit as per the Gratuity Act, 1972. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

#### (c) Other Long-Term Employee Benefits

The Company also provides benefit of compensated absences to its employees which are in the nature of long-term benefit plan. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date as per the requirements of IND AS "Employee Benefits". Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit and loss in the year in which such gains or losses arise.

#### (d) Short-Term Employee Benefits

Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

### 4.19 Earnings per Share:

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 4.20 Contingent Liabilities and Commitments:

Where it is not probable that an outflow of economic resources will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of balance sheet and is disclosed as a contingent liability.

Possible outcomes on obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities.

Contingent Assets are neither recognized nor disclosed. However, when realization of Income is virtually certain, related asset is recognized.

### 4.21 Fair Value Measurement

The Company measures Financial Instruments at fair value at each Balance Sheet Date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for such asset or liability, or in the absence of a principal market, in the most advantageous market which is accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the standalone financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted market prices) in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurements is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### 4.22 ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the standalone financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company.

#### (i) Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition,

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

**(ii) Recognition of Deferred Tax Liability on Undistributed Profits:**

The extent to which the Company can control the timing of reversal of deferred tax calculation on undistributed profits of its subsidiaries requires judgment.

**(iii) Evaluation of Indicators for Impairment of Assets:**

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

**(iv) Recoverability of Advances/ Receivables:**

At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

**(v) Useful lives of Depreciable/ Amortizable Assets:**

Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, customer

relationships, IT equipment and other plant and equipment.

**(vi) Defined Benefit Obligation (DBO):**

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

**(vii) Fair Value Measurements:**

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

**(viii) Provisions:**

At each balance sheet date the management judgment, changes in facts and legal aspects, the Company assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgment.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Note 5: Property, Plant and Equipment

Particulars	Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Right-of-use Assets	Capital Work-in-Progress
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<b>Year Ended 31st March, 2019</b>												
<b>Gross Carrying Amount</b>												
1 Opening Gross Carrying Amount	421.30	7,624.44	22,918.73	282.77	66.33	91.00	29.39	326.53	8.64	31,769.13	-	819.66
2 Additions	-	-	1,715.17	-	39.50	63.19	63.47	37.46	115.03	2,033.82	-	3,029.64
3 Disposals/Transfers	-	-	(5.34)	-	(2.72)	(0.50)	(2.23)	(2.51)	-	(13.30)	-	(2,019.17)
4 Closing Gross Carrying Amount as at 31st March, 2019 (1+2+3)	421.30	7,624.44	24,628.56	282.77	103.11	153.69	90.63	361.48	123.67	33,789.65	-	1,830.13
<b>Accumulated Depreciation and Impairment</b>												
5 Opening Accumulated Depreciation	-	548.98	3,128.81	37.44	35.49	24.49	11.09	89.15	3.79	3,879.24	-	-
6 Depreciation Charge during the Year	-	277.73	1,522.97	18.38	16.75	11.41	4.48	49.93	1.89	1,903.54	-	-
7 Disposals	-	-	(1.67)	-	(1.60)	(0.13)	(0.52)	-	-	(3.92)	-	-
8 Closing Accumulated Depreciation and Impairment as at 31st March, 2019 (5+6+7)	-	826.71	4,650.11	55.82	50.64	35.77	15.05	139.08	5.68	5,778.86	-	-
<b>9 Net Carrying Amount as at 31st March, 2019 (4-8)</b>	<b>421.30</b>	<b>6,797.73</b>	<b>19,978.45</b>	<b>226.95</b>	<b>52.47</b>	<b>117.92</b>	<b>75.58</b>	<b>222.40</b>	<b>117.99</b>	<b>28,010.79</b>	<b>-</b>	<b>1,830.13</b>

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Particulars	Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Right-of-use Assets	Capital Work-in-Progress
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<b>Year Ended 31st March, 2020</b>												
<b>Gross Carrying Amount</b>												
1 Opening Gross Carrying Amount	421.30	7,624.44	24,628.56	282.77	103.11	153.69	90.63	361.48	123.67	33,789.65	541.95	1,830.13
2 Additions	-	89.99	1,362.08	5.00	34.31	41.97	15.47	23.94	24.79	1,597.55	-	3,933.49
3 Disposals/Transfers	-	-	(11.15)	-	-	-	-	(11.70)	-	(22.85)	-	(1,551.31)
4 Closing Gross Carrying Amount as at 31st March, 2020 (1+2+3)	421.30	7,714.43	25,979.49	287.77	137.42	195.66	106.10	373.72	148.46	35,364.35	541.95	4,212.31
<b>Accumulated Depreciation and Impairment</b>												
5 Opening Accumulated Depreciation	-	826.71	4,650.11	55.82	50.64	35.77	15.05	139.08	5.68	5,778.86	-	-
6 Depreciation Charge during the Year	-	278.69	1,646.20	18.53	21.79	18.45	17.56	49.78	24.43	2,075.43	95.64	-
7 Disposals	-	-	(2.21)	-	-	-	-	(6.71)	-	(8.92)	-	-
8 Closing Accumulated Depreciation and Impairment as at 31st March, 2020 (5+6+7)	-	1,105.40	6,294.10	74.35	72.43	54.22	32.61	182.15	30.11	7,845.37	95.64	-
<b>9 Net Carrying Amount as at 31st March, 2020 (4-8)</b>	<b>421.30</b>	<b>6,609.03</b>	<b>19,685.39</b>	<b>213.42</b>	<b>64.99</b>	<b>141.44</b>	<b>73.49</b>	<b>191.57</b>	<b>118.35</b>	<b>27,518.98</b>	<b>446.31</b>	<b>4,212.31</b>

### 5.1 Property, Plant and Equipment pledged as Security

Refer Note 40 for information on Property, Plant and Equipment pledged as security by the Company

5.2 Refer Note 50(a) for disclosure of contractual commitments for the acquisition of property, plant and equipment.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Note 5.3: Right of Use Assets and Lease Liability

The Company has adopted Ind AS 116 - Leases with effect from 01.04.2019 using modified retrospective method. This has resulted in recognizing right of use assets and lease liability as on 01.04.2019.

#### Right of Use Assets

Following are the changes in the carrying value of right of use assets for the year ended 31st March 2020:

Particulars	Category of ROU asset
Balance as at 1st April, 2019	
On account of adoption of Ind AS	541.95
Additions	-
Deletions : Depreciation	95.64
<b>Balance as at 31st March, 2020</b>	<b>446.31</b>

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

#### Lease Liability

The following is the movement in lease liabilities during the year ended 31st March, 2020:

Particulars	As at 31st March, 2020
Balance as at 1st April, 2019	
On account of adoption of Ind AS 116	541.95
Additions	-
Deletions : Payment of lease liabilities	63.96
<b>Balance as at 31st March, 2020</b>	<b>477.99</b>

The table below provides details regarding the contractual maturities of lease liabilities as at 31st March, 2020 on an undiscounted basis

Particulars	Total
Less than one year	122.40
One to five years	499.49
More than five years	-
<b>Total</b>	<b>621.89</b>

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

The Company has also taken lease for office premises in Vishakapatnam and the said lease is revocable by either of the parties with prior intimation. During the Year, the company has paid lease rental of 5.14 lakhs (Previous Year 6.43 lakhs).

The above leases are revocable. Hence, disclosure requirement under Ind AS 17 "Leases" is not required.

The Company has also taken certain equipment under non cancellable operating lease agreements for a period of 5 years and the said lease period completed during the year 2019-20. Lease rental on this equipment paid was ₹ 3.04 lakhs (Previous Year ₹ 4.02 lakhs).

**5.4 Operating Lease Commitments - Company as Lessor :** The Company has given on Lease of its part premises in R & D Gagilapur for a lease term of 6 Years to an associate company . The Company has recognized income for an amount of 6.50 lakhs (Previous Year 6.00 lakhs).

### 6 Intangible Assets

Note	Particulars	Computer Software	Patents	Total
	(1)	(2)	(3)	(4)
<b>Year Ended 31st March, 2019</b>				
<b>Gross Carrying Amount</b>				
1	Opening Gross Carrying Amount as at 01st April, 2018	60.18	4.56	64.74
2	Additions	7.58	94.78	102.36
3	Closing Gross Carrying Amount as at 31st March, 2019 (1+2)	67.76	99.34	167.10
<b>Accumulated Amortisation and Impairment</b>				
4	Opening Accumulated Amortisation as at 01st April, 2018	25.86	2.61	28.47
5	Amortisation Charge during the year	10.57	13.18	23.75
6	Closing Accumulated Amortisation and Impairment as at 31st March, 2019 (4+5)	36.43	15.79	52.22
7	<b>Closing Net Carrying Amount as at 31st March, 2019 (3-6)</b>	<b>31.33</b>	<b>83.55</b>	<b>114.88</b>
<b>Year Ended 31st March, 2020</b>				
<b>Gross Carrying Amount</b>				
1	Opening Gross Carrying Amount as at 01st April, 2019	67.76	99.34	167.10
2	Additions	-	3.95	3.95
3	Closing Gross Carrying Amount as at 31st March, 2020 (1+2)	67.76	103.29	171.05
<b>Accumulated Amortisation and Impairment</b>				
4	Opening Accumulated Amortisation as at 01st April, 2019	36.43	15.79	52.22
5	Amortisation Charge during the year	10.95	24.62	35.57
6	Closing Accumulated Amortisation and Impairment as at 31st March, 2020 (4+5)	47.38	40.41	87.79
7	<b>Closing Net Carrying Amount as at 31st March, 2020 (3-6)</b>	<b>20.38</b>	<b>62.88</b>	<b>83.26</b>



## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Non Current Financial Assets - Unsecured, Considered good

Note	Particulars	As at 31st March, 2020		As at 31st March, 2019	
		No. of Shares	Amount	No. of Shares	Amount
<b>7</b>	<b>Non-Current Investments</b>				
	<b>(Unquoted, carried at cost)</b>				
	<b>Investment in Associates (fully paid up)</b>				
	Equity Shares of ₹ 10/- each in M/s. VKT Pharma Limited	3,850,165	4,499.87	3,850,165	4,499.87
	<b>Total</b>	<b>3,850,165</b>	<b>4,499.87</b>	<b>3,850,165</b>	<b>4,499.87</b>
	Aggregate amount of unquoted investments		4,499.87		4,499.87
	Aggregate amount of quoted investments and market value thereof		-		-
	Aggregate amount of impairment in the value of investment		-		-
<b>7.1</b>	<b>As on 31.03.2020, the Company is holding 42.62 % ( 31st March, 2019 42.62%) of the total Paid up Capital of the said Associate Company.</b>				
<b>8</b>	<b>Bank Balances</b>				
	Margin Money Deposits		224.89		212.50
	<b>Total</b>		<b>224.89</b>		<b>212.50</b>
<b>8.1</b>	Margin Money Deposits are subject to the first charge against Bank guaranties and /are Letter of Credits.				
<b>9</b>	<b>Other Non-Current Financial Assets</b>				
	Security Deposits		331.95		343.04
	<b>Total</b>		<b>331.95</b>		<b>343.04</b>
<b>10</b>	<b>Other Non-Current Assets</b>				
	Capital Advances		3,514.63		1,911.81
	<b>Total</b>		<b>3,514.63</b>		<b>1,911.81</b>
<b>10.1</b>	An amount of ₹ 304.91 lakhs was included in the Capital Advances paid on account of land admeasuring AC 23.00 in JNPC, Parwada, Visakhapatnam District, and the amount so paid is equivalent to 100% land cost to APIIC and about 80% of development cost to Ramky Pharmacy respectively. Due to the cancellation of part of land allotted to the company in earlier, the company has filed a writ petition before the Hon'ble High Court and the Court has granted stay which is pending.				
<b>10.2</b>	Captial advances of ₹ 1911.81 lakhs as at 31st March,2019 includes an amount of ₹ 1055.00 Lakhs paid in July,2017 on account of a property, purchased in the e-auction conducted by the State Bank of India. The said property bearing plot No 737A admeasuring 1015 sq.yards together with unfinished structures thereon situated at ward no 8 Block No. 2 Jubilee Hills Hyderabad. At the time of handoving the possession of the property, the borrower of the Bank has filed a case against SBI under SARFAESI Act before DRT (Debt Recovery Tribunal), Hyderabad, wherein the company has impleaded as respondent number 2. The said DRT has ordered the Bank to reauction the said property and accordingly the bank refunded the amount to the company in the month of June,2019. Aggrieved with this, the company has filed an appeal before the Appellate Authority DRAT, Kolkatta. The DRAT granted stay on the auction proceedings. The matter is pending.				

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	As at 31st March 2020	As at 31st March 2019
<b>11</b>	<b>Inventories</b>		
	(Cost or Net Realisable Value, whichever is lower and as valued and certified by the management)		
	Raw Materials	3,400.91	5,455.75
	Stock-in-Process	4,391.69	4,274.05
	Finished Goods	5,068.02	3,871.58
	Coal & Fuel	59.40	38.60
	<b>Total</b>	<b>12,920.02</b>	<b>13,639.98</b>
<b>11.1</b>	Finished Goods includes stock in transit of ₹ 277.87 lakhs (31st March, 2019 ₹ 470.52 lakhs)		
<b>12</b>	<b>Trade Receivables</b>		
	Current - Unsecured		
	(i) Considered Good	4,877.07	2,602.25
	(ii) Considered Doubtful	2.65	53.32
	Less: Allowance for Doubtful Debts	2.65	53.32
	<b>Total</b>	<b>4,877.07</b>	<b>2,602.25</b>
	<b>Break-up of security details</b>		
	Trade Receivables considered Good-Secured	-	-
	Trade Receivables considered Good-Un Secured	4,877.07	2,602.25
	Trade Receivables which have significant increase in credit risk	-	-
	Trade Receivables - credit impaired	2.65	53.32
	<b>Total</b>	<b>4,879.72</b>	<b>2,655.57</b>
	Less: Provision for Doubtful Debts	2.65	53.32
	Total Trade receivables	4,877.07	2,602.25
<b>12.1</b>	The Company has computed the expected credit loss allowance for doubtful trade receivables on age analysis basis on assumption of expected credit loss of 5% on outstanding receivables on more than 180days.		
<b>12.2</b>	Trade Receivables includes an amount of ₹ 1443.12 lakhs (31st March, 2019 ₹ 77.66 lakhs) a related party (Refer Note.48)		
<b>12.3</b>	The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates used in the provision matrix. In calculating expected credit loss, the Company has also considered credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.		

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	As at 31st March 2020	As at 31st March 2019
<b>13</b>	<b>Cash and Cash Equivalents</b>		
	(i) Balances with Banks		
	- in Current Accounts	710.24	1,474.85
	- in EEFC account	232.36	0.19
	(ii) Cash on Hand	11.82	4.73
	<b>Total</b>	<b>954.42</b>	<b>1,479.77</b>
<b>14</b>	<b>Bank Balances Other than Cash and Cash Equivalents</b>		
	Balances in Unclaimed Dividend Accounts	10.91	7.90
	<b>Total</b>	<b>10.91</b>	<b>7.90</b>
<b>15</b>	<b>Other Current Financial Assets</b>		
	(unsecured, considered good)		
	Export Incentive Receivable	28.50	24.33
	<b>Total</b>	<b>28.50</b>	<b>24.33</b>
<b>16</b>	<b>Other Current Assets</b>		
	(unsecured, considered good)		
	Cenvat Credit Receivable	-	49.34
	GST Credit Receivable	685.07	1,449.84
	GST Refund Receivable	1,027.97	926.74
	Prepaid Expenses	186.90	104.63
	Interest Receivable	13.81	14.93
	Advances to Suppliers	674.42	173.36
	Export Incentives Receivable	153.28	103.17
	Other Advances and Receivables	35.36	141.28
	<b>Total</b>	<b>2,776.81</b>	<b>2,963.29</b>
<b>17</b>	<b>Current Tax Assets/(Liabilities)</b>	<b>310.36</b>	<b>41.51</b>
<b>17.1</b>	Advance Income Tax	1165.65	1273.10
	TDS Receivable	44.71	118.41
	Less: Provision for Income Tax	900.00	1350.00
	<b>Total</b>	<b>310.36</b>	<b>41.51</b>

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 18 Equity Share Capital

Note	Particulars	As at 31st March, 2020		As at 31st March, 2019	
		Number of Shares	Amount	Number of Shares	Amount
	Authorised Share Capital				
	Equity Shares of Re. 1/- each	120,000,000	1,200.00	120,000,000	1,200.00
	Issued, Subscribed and Fully Paid Up				
	Equity Shares of Re. 1/- each	84,652,030	846.52	84,652,030	846.52
	<b>Total</b>	<b>84,652,030</b>	<b>846.52</b>	<b>84,652,030</b>	<b>846.52</b>

#### 18.1 Reconciliation of Number of Equity Shares outstanding at the Beginning and at the End of the Year

Note	Particulars	As at 31st March, 2020		As at 31st March, 2019	
		Number of shares	Amount	Number of shares	Amount
	<b>Equity Shares</b>				
	At the Beginning of the Year	84,652,030	846.52	84,652,030	846.52
	Add: Issued/(Reduced) during the Year	-	-	-	-
	<b>At the End of the Year</b>	<b>84,652,030</b>	<b>846.52</b>	<b>84,652,030</b>	<b>846.52</b>

#### 18.2 Rights attached to Equity Shares

The Company has only one class of equity shares having face value of Re. 1 per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

#### 18.3 Details of Shareholders holding more than 5% shares in the Company

Note	Particulars	As at 31st March, 2020		As at 31st March, 2019	
		Number of shares	% holding	Number of shares	% holding
	Mr. Ramesh Babu Potluri	14,506,960	17.14%	14,506,960	17.14%
	Mrs. Hima Bindu Potluri	13,398,360	15.83%	12,373,360	14.62%
	Mr. TVVSN Murthy*	9,448,340	11.16%	12,208,340	14.42%
	M/s. Potluri Infra Projects LLP	5,970,000	7.05%	5,970,000	7.05%
	Mr. Vamsi Krishna Potluri	4,810,590	5.68%	2,030,590	2.40%
	Mrs. T. Annapurna	3,365,340	3.98%	4,390,340	5.19%

\* including shares held in the capacity of karta of HUF aggregating to 39,81,340 shares ( 31st March, 2019 39,81,340 Shares )

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 18.4 Distributions made and proposed

Particulars	Current Year 2019-20	Previous Year 2018-19
<b>Cash dividends on equity shares declared and paid:</b>		
Dividend for the Financial Year 2018-19 : Re.0.25 per share	211.63	211.63
Dividend Distribution Tax	43.50	43.50
Interim/final dividend for the financial year 2019-20 : Re.0.25 per Share	211.63	-
Dividend distribution tax on interim/final dividend	43.50	-
<b>Total</b>	<b>510.26</b>	<b>255.13</b>
<b>Proposed dividends on equity shares:</b>		
Dividend	-	211.63
Dividend Distribution Tax on Proposed Dividend	-	43.50
<b>Total</b>	<b>-</b>	<b>255.13</b>

For the Year ended 31st March, 2020, the company has declared and paid interim/final dividend for distribution to equity shareholders was Re. 0.25 per share of Re.1/- each (31st March, 2019: Re. 0.25 per share of Re.1/- each).

### 19 Other Equity

Note	Particulars	As at 31st March, 2020	As at 31st March, 2019
<b>Reserves and Surplus</b>			
	Securities Premium	6,981.84	6,981.84
	Capital Redemption Reserve	155.00	155.00
	General Reserve	7,304.28	6,304.28
	Retained Earnings	21,454.75	19,704.72
	<b>Total</b>	<b>35,895.87</b>	<b>33,145.84</b>
<b>19.1 Securities Premium Reserve</b>			
	Opening Balance	6,981.84	6,981.84
	Adjustments	-	-
	<b>Closing Balance</b>	<b>6,981.84</b>	<b>6,981.84</b>
<b>19.2 Capital Redemption Reserve</b>			
	Opening Balance	155.00	155.00
	Adjustments	-	-
	<b>Closing Balance</b>	<b>155.00</b>	<b>155.00</b>
<b>19.3 General Reserve</b>			
	Opening Balance	6,304.28	5,304.28
	Transferred from Statement of Profit & Loss	1,000.00	1,000.00
	<b>Closing Balance</b>	<b>7,304.28</b>	<b>6,304.28</b>

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	As at 31 March 2020	As at 31 March 2019
<b>19.4</b>	<b>Retained Earnings</b>		
(a)	Opening Balance	19,704.72	16,822.92
(b)	Net Profit for the Year	3,268.85	4,145.35
(c)	Transferred to General Reserve	(1,000.00)	(1,000.00)
(d)	Dividends ( Including Tax) (Refer Note 18.4)	(510.27)	(255.13)
(e)	Others	-	-
(f)	<b>Items of Other Comprehensive Income</b>		
	Remeasurement Gain/(Loss) of the defined benefit plans	(8.55)	(8.42)
	<b>Closing Balance</b>	<b>21,454.75</b>	<b>19,704.72</b>

### 19.5 Nature and Purpose of Reserves

**(a) Securities Premium Reserve:**

Securities Premium Reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act 2013.

**(b) Capital Redemption Reserve:**

The Company has recognized Capital Redemption reserve on buy back of equity shares. The amount in capital redemption reserve is equal to nominal amount of the equity shares bought back. This reserve will be utilized in accordance with Section 69 of the Companies Act, 2013.

**(c) General Reserve:**

Though mandatory transfer to General Reserve is not required under the Companies Act, 2013, the Company generally appropriates a portion of its earnings to the general reserve to be used for contingencies. These reserves are freely available for use by the Company.

**(d) Retained Earnings:**

These are the accumulated earnings after appropriation of total comprehensive income and related transfers. The company uses retained earnings in accordance with the provisions of the Companies Act.

**(e) Analysis of items of OCI, net of tax**

Re-measurements of defined benefit plans (Refer Note 39)

Re-measurements of defined plans comprises actuarial gains and losses and return on plan assets

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 20 Financial Liabilities

Note	Particulars	As at 31st March, 2020	As at 31st March, 2019
	<b>Non Current Borrowings</b>		
<b>20.1 Secured</b>			
	<b>Term Loans from Banks</b>		
(a)	IDBI Bank Ltd	3,487.92	4,683.09
(b)	Export Import Bank Loan-1	1,344.36	1,417.96
(c)	Export Import Bank Loan-2	1,592.60	-
(d)	Yes Bank	277.22	-
	<b>Sub Total</b>	<b>6,702.10</b>	<b>6,101.05</b>
<b>20.2 Unsecured</b>			
	DSIR Assistance	120.00	120.00
	<b>Total</b>	<b>6,822.10</b>	<b>6,221.05</b>
<b>20.3 Current Maturities of Non Current Borrowings</b>			
	<b>Secured</b>		
(a)	Term Loans from Banks		
(i)	IDBI Bank Ltd	1,200.00	1,000.00
(ii)	Export Import Bank Loan-1	75.00	75.00
(iii)	Export Import Bank Loan-2	377.00	-
(iv)	Yes Bank	639.50	-
	<b>Total</b>	<b>2,291.50</b>	<b>1,075.00</b>
	Amount disclosed under the head "Other Current Financial Liabilities" (Refer Note 25)	(2,291.50)	(1,075.00)
	<b>Total</b>	<b>-</b>	<b>-</b>
<b>20.4 Lease Liabilities</b>		<b>477.99</b>	<b>-</b>
	<b>Total</b>	<b>477.99</b>	<b>-</b>

#### 20.1.1 Security Terms

- Term Loans availed from IDBI Bank Limited, Yes Bank Limited and Long Term Working Capital Loan (LTWCL) availed from Export-Import Bank of India (Exim Bank) are secured by first charge on pari-passu basis of all movable and immovable fixed assets both present and future and second charge on pari-passu basis of all Current Assets both present and future.
- Term Loans availed from IDBI Bank is also guaranteed by Mr. P Ramesh Babu, Chairman and Managing Director and Mr. TVVSN Murthy, Director of the company in their personal capacities.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

- (c) Term Loans availed from Export Import Bank of India and Yes Bank Limited are also guaranteed by Mr. P Ramesh Babu, Chairman and Managing Director and Mr. Vamsi Krishna Potluri, Sr VP of the company in their personal capacities.
- (d) Long Term Working Capital Loan availed from Exim Bank is guaranteed by Mr. Ramesh Babu Potluri, Chairman and Managing Director in his personal capacity.
- (e) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 40.

### 20.1.2 Rate of Interest :

Name of the Bank	Rate of Interest
<b>Term Loans</b>	
IDBI Bank (MCLR (Y) + 0.85% p.a.)	9.50%
Exim Bank (LTMLR+ 95 basis points)	10.05%
Yes Bank (MCLR (Y) + 70 basis points)	10.25%
<b>Long Term Working Capital Loan</b>	
Exim Bank (LTMLR+ 50 basis points)	9.60%

### 20.1.3 Terms of Repayment

- (a) The loan availed from IDBI Bank amounting to ₹ 7500 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Quarterly Installments commencing from December, 2016, as mentioned below.

First 4 Quarters	Rs. 100 Lakhs each
Next 4 Quarters	Rs. 200 Lakhs each
Next 4 Quarters	Rs. 300 Lakhs each
Next 4 Quarters	Rs. 400 Lakhs each
Next 4 Quarters	Rs. 425 Lakhs each
Next 4 Quarters	Rs. 450 Lakhs each

The Company has availed moratorium for principal payment only for the above said loan as per RBI Relaxation on account COVID19

- (b) The Long Term Working Capital Loan availed from Exim Bank of India amounting ₹ 1500 lakhs is to be repaid in 20 structured quarterly installments commencing from 1st october,2019, as mentioned below:

First 4 Quarters	Rs. 25 Lakhs each
Next 4 Quarters	Rs. 25 Lakhs each
Next 4 Quarters	Rs. 50 Lakhs each
Next 4 Quarters	Rs. 125 Lakhs each
Next 4 Quarters	Rs. 150 Lakhs each



## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

**20.2.1** Financial Assistance received from Department of Scientific and Industrial Research (DSIR) of ₹ 120.00 Lakhs (previous year ₹ 120.00 Lakhs) sanctioned under PATSER Scheme of TPDU program for development of catalysts or Fine Chemicals apart from Active Pharmaceutical Ingredients (API's), and their intermediates viz. Metal Acetylacetonates, Diltiazem Hydrochloride and Taxol C-13 Side Chain.

As per the terms of agreement entered with DSIR, 1.3 times of the above amount is payable in 5 equal annual installments after commencement of commercial operations of the product(s) developed under PATSER scheme. However the Company has not yet commenced commercial operations of the said products.

### 20.5 Debt Reconciliation as required by Ind AS -7 Statement of Cash Flows

Particulars	31st March, 2020	31st March, 2019
Opening Borrowings	6,221.05	7,139.82
Add: Opening Current Maturities	1,075.00	1,633.46
Add: Amortisation of Transaction Cost	6.23	10.27
Add: Received during the year	2,886.32	150.00
Less: Paid during the year	1,075.00	1,637.50
Closing Borrowings	9,113.60	7,296.05
Less: Closing Current Maturities	2,291.50	1,075.00
<b>Non Current Borrowings as per Balance Sheet</b>	<b>6,822.10</b>	<b>6,221.05</b>

Note	Particulars	As at 31st March 2020	As at 31st March 2019
<b>21</b>	<b>Provisions</b>		
	<b>Provision for Employee Benefit Obligations</b>		
	<b>Non Current</b>		
	Gratuity	118.88	108.34
	Leave Encashment	53.77	43.50
	<b>Sub Total</b>	<b>172.64</b>	<b>151.84</b>
	<b>Current</b>		
	Gratuity	44.77	44.77
	Leave Encashment	27.27	27.27
	<b>Sub Total</b>	<b>72.04</b>	<b>72.04</b>
	<b>Total</b>		
	Gratuity	163.64	153.11
	Leave Encashment	81.04	70.77
	<b>Grand Total</b>	<b>244.68</b>	<b>223.88</b>

**21.1** For details of Post Employment Benefits. Refer Note 39.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	As at 31 March 2020	As at 31 March 2019		
<b>22</b>	<b>Deferred Tax Liabilities (net)</b>				
	The Balance Comprises Temporary Differences Attributable to:				
	<b>(a) Deferred Tax Liability</b>				
	(i) Property, Plant and Equipment	5,308.14	4,638.28		
	(ii) Others	41.37	8.37		
	<b>Total</b>	<b>5,349.51</b>	<b>4,646.65</b>		
	<b>(b) Deferred Tax Asset</b>				
	(i) Expenses allowable on the basis of Payment	94.35	103.06		
	(ii) MAT Credit Entitlement	1,147.06	1,334.19		
	(iii) Other items giving raise to temporary differences	133.69	147.56		
	<b>Total</b>	<b>1,375.10</b>	<b>1,584.81</b>		
	<b>Net Deferred Tax Liabilities (a) - (b)</b>	<b>3,974.41</b>	<b>3,061.84</b>		
	<b>(c) Movement in Deferred Tax Liabilities</b>				
	<b>Particulars</b>	<b>Property, Plant and Equipment</b>	<b>Other Items</b>	<b>Total</b>	
	As at 31st March, 2018	4,472.28	11.96	4,484.24	
	Charged/(Credited)	166.00	(3.59)	162.41	
	<b>As at 31st March, 2019</b>	<b>4,638.28</b>	<b>8.37</b>	<b>4,646.65</b>	
	Charged/(Credited)	669.87	33.00	702.87	
	<b>As at 31st March, 2020</b>	<b>5,308.15</b>	<b>41.37</b>	<b>5,349.52</b>	
	<b>(d) Movement in Deferred Tax Assets</b>				
	<b>Particulars</b>	<b>Expenses allowable on payment basis</b>	<b>MAT Credit</b>	<b>Other items</b>	<b>Total</b>
	As at 31st March, 2018	125.17	1,921.41	137.35	2,183.93
	Charged/(Credited)	(22.11)	(587.22)	10.21	(599.12)
	As at 31st March, 2019	103.06	1,334.19	147.56	1,584.81
	Charged/(Credited)	(8.71)	(187.13)	(13.87)	(209.71)
	<b>As at 31st March, 2020</b>	<b>94.35</b>	<b>1,147.06</b>	<b>133.69</b>	<b>1,375.10</b>
Note	Particulars	As at 31st March 2020	As at 31st March 2019		
<b>23</b>	<b>Current Borrowings</b>				
	Secured				
	Working Capital Loans from Banks				
	- State Bank of India	3,513.74	5,630.86		
	- RBL Bank Ltd	1,402.23	1,450.00		
	- IDBI Bank Ltd	1,199.55	-		
	<b>Total</b>	<b>6,115.52</b>	<b>7,080.86</b>		

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 23.1 Security Terms

- (a) Working capital facilities sanctioned by State Bank of India and RBL Bank are secured by first charge on pari-passu basis of all current assets both present and future. These facilities are further secured by way of second charge on pari-passu basis of all movable and immovable fixed assets of the Company both present and future and also guaranteed by Mr. P Ramesh Babu Chairman and Managing Director, and Mr. TVVSN Murthy, Director of the Company, in their personal capacities.
- (b) Working Capital Facilities extended by State Bank of India are having the following additional security apart from the details of Security mentioned supra.
- Equitable mortgage of Agricultural land admeasuring 3.65 Acres situated in Yalamanchili Village of West Godavari District, belonging to Mr. TVVSN Murthy, Director of the Company.
- (c) Working capital facilities sanctioned by IDBI Bank is secured by first charge on pari-passu basis of all current assets both present and future. These facilities are further secured by way of second charge on pari-passu basis of all movable and immovable fixed assets of the Company both present and future and also guaranteed by Mr. P Ramesh Babu Chairman and Managing Director of the Company in is personal capacity.
- (d) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 40.

### 23.2 Rate of Interest is as follows:

Name of the Bank	Rate of Interest
State Bank of India	
Cash Credit	8.85%
Export Packing Credit	8.40%
Stand by Loan	8.40%
IDBI Bank Limited	8.60%
RBL Bank	9.10%

**23.3 Terms of Repayment:** The above working capital loans are repayable on demand.

### 23.4 Debt Reconciliation as required by Ind AS -7, Statement of Cash Flows

Particulars	31st March, 2020	31st March, 2019
Opening Borrowings	7,080.86	5,839.71
Add: Received during the year	1,199.55	4,067.20
Less: Paid during the year	2,164.89	2,826.05
<b>Closing Current Borrowings</b>	<b>6,115.52</b>	<b>7,080.86</b>

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	As at 31st March 2020	As at 31st March 2019
<b>24</b>	<b>Trade Payables</b>		
(a)	Creditor for Supply of Materials		
(i)	Due to Micro and Small Enterprises (Refer No 5 I)	23.01	12.54
(ii)	Due to Related Parties (Refer No.24. I)	244.97	1,176.06
(iii)	Others	3,687.08	3,028.83
(b)	Creditors for Expenses	494.34	552.44
	<b>Total</b>	<b>4,449.40</b>	<b>4,769.87</b>
<b>24.1</b>	Trade Payables includes an amount of ₹ 63.48 lakhs ( Previous Year ₹ 1046.77 lakhs) payable to SMS Lifesciences India Limited, ₹ 181.49 lakhs (previous year ₹ 129.28 lakhs) payable to R Chem (Somanahalli) Private Limited.		
<b>25</b>	<b>Other Financial Liabilities</b>		
	<b>Current</b>		
	Current Maturities of Long-Term Debt (Refer Note.20)	2,291.50	1,075.00
	Capital Creditors	470.75	213.95
	Interest Accrued but not due	70.61	-
	Unclaimed Dividend	10.90	7.90
	<b>Total</b>	<b>2,843.76</b>	<b>1,296.85</b>
<b>26</b>	<b>Other Current Liabilities</b>		
	Statutory Liabilities	82.66	104.64
	Advance from Customers	932.06	859.66
	Employee Benefits Payable	25.32	71.04
	<b>Total</b>	<b>1,040.04</b>	<b>1,035.34</b>
Note	Particulars	Current Year 2019-20	Previous Year 2018-19
<b>27</b>	<b>Revenue from Operations</b>		
(a)	<b>Sale of Products</b>		
	Gross Sales (including GST )	43,307.54	44,813.59
	Less: Goods and Service Tax	3,898.45	3,737.31
	Net Revenue from Sales	<b>39,409.09</b>	<b>41,076.28</b>
(b)	<b>Income from Services</b>		
	Conversion Charges	1,564.02	6,025.16
	Less: Goods and Service Tax	238.58	919.09
	Net Income from Services	<b>1,325.44</b>	<b>5,106.07</b>
(c)	<b>Other Operating Income</b>		
	Export Incentives	460.16	308.73
	<b>Total Net Revenue from Operations (a+b+c)</b>	<b>41,194.69</b>	<b>46,491.08</b>

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2019-20	Previous Year 2018-19
<b>28</b>	<b>Other Income</b>		
	(i) Interest Income	35.16	39.01
	(ii) Net Gain on Foreign Exchange	179.61	93.20
	(iii) Miscellaneous Income (Net of GST)	296.57	208.10
	<b>Total</b>	<b>511.34</b>	<b>340.31</b>
<b>28.1</b>	<b>Miscellaneous Income includes Rent received from related parties of ₹ 36.20 lakhs (Previous year ₹ 24.52 lakhs)</b>		
<b>29</b>	<b>Cost of Materials Consumed</b>		
	<b>Raw Material &amp; Packing Material</b>		
	Stock at the Beginning of the Year	5,455.75	4,026.24
	Add: Purchases	23,895.34	32,148.64
	Less: Stock at the End of the Year	3,400.91	5,455.75
	<b>Total Materials Consumed</b>	<b>25,950.18</b>	<b>30,719.13</b>
<b>30</b>	<b>Changes in Inventory</b>		
	<b>(a) Opening Stock of Inventory:</b>		
	Finished Goods	3,871.58	3,303.22
	Stock in Process	4,274.05	3,394.13
	<b>Sub Total (a)</b>	<b>8,145.63</b>	<b>6,697.35</b>
	<b>(b) Closing Stock of Inventory:</b>		
	Finished Goods	5,068.02	3,871.58
	Stock in Process	4,391.69	4,274.05
	<b>Sub Total (b)</b>	<b>9,459.71</b>	<b>8,145.63</b>
	<b>(Increase)/Decrease in Stock (a-b)</b>	<b>(1,314.08)</b>	<b>(1,448.28)</b>
<b>31</b>	<b>Manufacturing Expenses</b>		
	Power and Fuel	1,885.08	2,162.73
	Consumable Stores	502.27	503.03
	Testing Charges	125.29	90.41
	Water Charges	13.70	12.43
	Repairs & Maintenance to Buildings	81.36	78.07
	Repairs & Maintenance to Plant & Machinery	582.29	503.30
	Factory Maintenance	133.77	104.25
	Effluent Treatment Charges	40.11	29.96
	<b>Total</b>	<b>3,363.87</b>	<b>3,484.18</b>

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2019-20	Previous Year 2018-19
<b>32</b>	<b>Employee Benefit Expense</b>		
	Salaries, Wages and Bonus	3,480.37	3,130.24
	Contribution to Provident Fund	217.56	200.06
	Contribution to ESI	29.87	40.16
	Staff Welfare Expenses	207.42	188.21
	<b>Total</b>	<b>3,935.22</b>	<b>3,558.67</b>
<b>33</b>	<b>Finance Cost</b>		
	Interest on Non Current Borrowings	646.51	779.43
	Interest on Current Borrowings	403.65	353.29
	Interest on Others	0.30	4.47
	Interest on Lease Liability	58.44	-
	Bank Charges	112.24	50.15
	<b>Total</b>	<b>1,221.14</b>	<b>1,187.34</b>
<b>34</b>	<b>Depreciation and Amortisation Expenses</b>		
	Depreciation of Property, Plant and Equipment	2,075.43	1,903.54
	Amortisation of Right-of-use Assets	95.64	-
	Amortisation of Intangible Assets	35.57	23.75
	<b>Total</b>	<b>2,206.64</b>	<b>1,927.29</b>
<b>35</b>	<b>Other Expenses</b>		
	Rent	10.08	102.85
	Rates and Taxes	36.72	38.07
	Insurance	94.89	76.15
	Directors Remuneration	264.22	315.52
	Travelling and Conveyance	43.38	38.32
	Communication Expenses	13.29	18.01
	Printing and Stationery	56.98	51.96
	Repairs & Maintenance to Other Assets	20.84	10.25
	Vehicle Maintenance	23.75	19.93
	Payments to Auditors (Refer Note 35.1)	11.00	11.00
	Cost Audit Fee	0.75	0.75
	General Expenses	159.90	119.51
	Corporate Social Responsibility (Refer Note 35.2)	53.18	38.94

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2019-20	Previous Year 2018-19
	Provision for Doubtful Debts	-	10.31
	Interest on Indirect Taxes	10.40	4.78
	Loss on Sale of Assets	5.14	0.11
	Business Promotion Expenses	156.19	63.39
	Regulatory Fee	93.05	86.18
	Carriage Outward	118.69	64.44
	Sales Commission	95.05	97.16
	<b>Total</b>	<b>1,267.50</b>	<b>1,167.63</b>
<b>35.1</b>	<b>Details of Payments to Auditors</b>		
	Audit Fee	8.00	8.00
	Tax Audit Fee	2.00	2.00
	Certification Fee	1.00	1.00
	<b>Total Payments to Auditors</b>	<b>11.00</b>	<b>11.00</b>
<b>35.2</b>	<b>Corporate Social Responsibility Expenditure</b>		
	Amount required to be spent as per section 135 of the Companies Act, 2013	109.52	105.50
	Amount spent during the year on		
	(i) Construction/Acquisition of an Asset	-	28.44
	(ii) For other than (i) above	53.18	10.50
	Total amount Spent	53.18	38.94
	Amount un spent during the year	56.34	66.56
35.2.1	During the year the Company has initiated for construction of School Building and Hospital and also for providing Health Care and drinking water facilities with an estimate of ₹ 116.00 Lakhs towards CSR Liability.		
<b>36</b>	<b>Income Tax Expense</b>		
	<b>Current Tax</b>		
	Current tax on profits for the year	900.00	1,350.00
	Adjustments for current tax of prior periods	(5.86)	(16.64)
	<b>Total Current Tax</b>	<b>894.14</b>	<b>1,333.36</b>
	<b>Deferred Tax</b>		
	Increase/(Decrease) in Deferred Tax Liabilities	707.47	162.41
	Decrease/(Increase) in Deferred Tax Assets	209.70	598.84
	Actuarial (Gain)/Loss	(4.60)	(4.53)
	<b>Total Deferred Tax Expense/(Benefit)</b>	<b>912.57</b>	<b>756.72</b>
	<b>Total</b>	<b>1,806.71</b>	<b>2,090.08</b>

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2019-20	Previous Year 2018-19
36.1	Reconciliation of Tax Expense with Tax on Accounting Profits at normal rate is as follows:		
	(a) Profit before Income Tax Expenses	5,075.56	6,235.43
	(b) Enacted Tax Rate in India	34.94%	34.94%
	<b>(c) Expected Tax Expenses (a)x(b)</b>	<b>1,773.60</b>	<b>2,178.90</b>
	<b>(d) Tax Effect on Permanent Difference:</b>		
	Weighted Deduction under section 35(2AB) under the Income Tax Act, 1961	(700.15)	(79.38)
	Expenses not allowed under Income Tax Act	697.92	16.06
	Other Adjustments	45.71	(8.86)
	MAT Credit Entitlement for earlier years	(4.50)	-
	Adjustment of Current Tax of Prior Periods	(5.86)	(16.64)
	<b>Total Adjustments</b>	<b>33.12</b>	<b>(88.82)</b>
	<b>Current Tax Expense as per P &amp; L</b>	<b>1,806.72</b>	<b>2,090.08</b>
	<b>Effective Tax Rate</b>	<b>35.60%</b>	<b>33.52%</b>
<b>37</b>	<b>Other Comprehensive Income</b>		
	Actuarial Gain/(Loss) on Post Employment Benefit Expenses	9.09	12.90
	Return on Plan Assets excluding net interest	4.06	0.05
		<b>13.15</b>	<b>12.95</b>
	Deferred Taxes on above	(4.60)	(4.53)
	<b>Net Comprehensive Income</b>	<b>8.55</b>	<b>8.42</b>
<b>38</b>	<b>Earning Per Share (Basic and Diluted)</b>		
	(a) Net profit for Basic & Diluted EPS	3,268.85	4,145.35
	(b) Weighted average number of equity shares of Re.1/- each (Basic & Diluted)	846.52	846.52
	(c) Earnings per share of par value Re 1/- per share -(Basic & diluted)	3.86	4.90



## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 39 Employment Benefits

#### 39.1 Defined Contribution plans

##### 39.1.1 Employer's Contribution to Provident Fund:

Contributions are made to provident fund in India for employees at the rate of 12% of the Employees qualifying salary as per regulations. The contributions are made to registered provident fund administered by the Government of India. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards PF contribution is ₹ 217.56 lakhs (Previous Year ₹ 200.06 lakhs).

##### 39.1.2 Employer's Contribution to State Insurance Scheme:

Contributions are made to State Insurance Scheme in India for employees at the rate of 4.75%. The Contributions are made to Employees State Insurance Corporation (ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards ESI contribution is ₹ 29.87 lakhs (Previous Year- ₹ 40.16 lakhs).

#### 39.2 Defined Benefit Plans

The Company has a defined benefit gratuity plan governed by Payment of Gratuity Act, 1972. Every Employee who has completed five years or more of service is entitled to a gratuity on departure at 15 days salary for each completed year of Service. The Scheme is funded through a policy with Life Insurance Corporation of India (LIC).

The Company has a defined benefit Compensated Absence Plan governed by The Factories Act, 1948. Every Employee who has worked for a period of 240 days or more in a factory during a calendar year shall be allowed during the subsequent calendar year, leave with wages for a number of days calculated as per Act.

The following table summarise net benefit expenses recognised in the statement of profit and loss, the status of funding and the amount recognised in the Balance Sheet for both the plans:

Note	Particulars	31st March, 2020		31st March, 2019	
		Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
<b>39.2.1</b>	<b>Net Employee Benefit Expense (Recognised in Employee Benefit Expenses)</b>				
	Current Service Cost	41.24	27.25	34.89	37.42
	Interest Cost	10.39	4.38	10.82	7.91
	Adj to Opening Balance	-	-	3.53	-
	Contribution paid	(54.24)	(5.81)	(92.94)	(4.96)
		<b>(2.61)</b>	<b>25.82</b>	<b>(43.70)</b>	<b>40.37</b>
<b>39.2.2</b>	<b>Other Comprehensive Income</b>				
	Actuarial Gain/(Loss)	9.09	(15.54)	12.90	(75.11)
	Return on Plan Assets excluding net interest	4.06	-	0.05	
	Total Actuarial (Gain)/Loss recognized in OCI	<b>13.15</b>	<b>(15.54)</b>	<b>12.95</b>	<b>(75.11)</b>

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	31st March, 2020		31st March, 2019	
		Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
<b>39.2.3</b>	<b>Amount recognised in the Balance Sheet</b>				
	Defined Benefit Obligation	349.91	81.04	304.78	70.77
	Fair Value of Plan Assets	(186.27)	-	(151.67)	-
		<b>163.64</b>	<b>81.04</b>	153.11	70.77
<b>39.2.4</b>	Other Comprehensive Income in case of Employees Compensated Absence Scheme not considered as it was not funded.				
<b>39.2.5</b>	<b>Change in the Present Value of the Defined Benefit Obligation</b>				
	Opening Defined Benefit Obligation	304.76	70.77	246.48	105.51
	Adjustment to Opening Balance	-			
	Current Service Cost	41.24	27.25	34.89	37.42
	Interest Cost	21.63	4.38	18.61	7.91
	Contribution Paid		(5.81)		(4.96)
	Benefits Paid	(26.83)		(8.12)	
	Net Actuarial (gain)/ losses on Obligation for the year recognised under OCI	9.09	(15.55)	12.90	(75.11)
	<b>Closing Defined Benefit Obligation</b>	<b>349.89</b>	<b>81.04</b>	<b>304.76</b>	<b>70.77</b>
<b>39.2.6</b>	<b>Change in the Fair Value of Plan Assets</b>				
	Opening Fair Value of Plan Assets	151.67	-	62.62	-
	Adjustment to Opening Fair Value of Plan Asset	-	-	(3.53)	-
	Return on Plan Assets Excluding Interest Income	(4.06)	-	(0.04)	-
	Interest Income	11.24	-	7.80	-
	Contributions	54.24	-	92.94	-
	Benefits Paid	(26.83)	-	(8.12)	-
	<b>Closing Fair Value of Plan Assets</b>	<b>186.26</b>	-	<b>151.67</b>	-
<b>39.2.7</b>	<b>Actuarial (Gain)/Loss on Obligation</b>				
	Due to Demographic Assumption	-	-	-	-
	Due to Financial Assumption	28.14	-	0.56	-
	Due to Experience	(19.05)	-	12.34	-
	Return on Plan Assets excluding Interest	4.06	-	(0.04)	-
	<b>Total Actuarial (Gain)/Loss</b>	<b>13.15</b>	-	<b>12.86</b>	-

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 39.2.8 The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	31st March, 2020	31st March, 2019
State Govt Security	110.32	89.83
Central Govt Securities	40.81	33.23
NCD/Bonds	24.83	20.22
Others	10.30	8.39
<b>Total</b>	<b>186.26</b>	<b>151.67</b>

Expected Return on Assets is based on rate of return declared by fund managers.

### 39.2.9 Actuarial Assumptions for estimating Company's Defined Benefit Obligation:

Discount rate	6.76%	7.66%
Attrition Rate	PS : 0 to 40 2%	PS : 0 to 40 2%
Expected rate of increase in Salary	3.00%	3.00%
Expected rate of return on Plan Assets		
Mortality Table	IALM (2012-14)	IALM (2006-08)
Expected average remaining working lives of Employees	18.72	19.34

- Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.
- Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India.
- The Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

### 39.2.10 Sensitivity Analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Particulars	31st March, 2020	31st March, 2019
<b>Defined Benefit Obligation</b>	<b>163.64</b>	<b>153.11</b>
<b>Effect of 1% change in assumed discount rate on defined benefit obligation</b>		
Increase : +1%	318.88	278.60
Decrease: -1%	386.21	335.38
<b>Effect of 1% change in assumed salary escalation rate on defined benefit obligation</b>		
Increase : +1%	384.56	334.96
Decrease: -1%	319.64	278.55

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (Projected Unit Credit Method) has been applied as while calculating the defined benefit liability recognised within the Balance Sheet.

### 39.2.11 Other Information

**(i) Expected rate of return basis**

Since the scheme funds are invested with LIC of India EROA is based on rate of return declared by fund managers.

**(ii) Description of Plan Assets and Reimbursement Conditions**

100% of the Plan Asset is entrusted to LIC of India under their Group Gratuity Scheme. The reimbursement is subject to LIC's Surrender Policy

**(iii) Discount Rate**

The discount rate has decreased from 7.66% to 6.76% and hence there is a decrease in liability leading to actuarial gain due to change in discount rate.

**(iv) Present Value of Defined Benefit Obligation:**

Present value of the defined benefit obligation is calculated by using Projected Unit Credit Method (PUC Method). Under the PUC Method, a "projected accrued benefit" is calculated at the beginning of the year and again at the end of the year for each benefit that will accrue for all active members of the Plan. The "Projected accrued benefit" is based on the Plan's accrual formula and upon service as of the beginning or end of the year, but using a member's final compensation, projected to the age at which the employee is assumed to leave active service. The Plan Liability is the actuarial present value of the "Projected accrued benefits" as of the beginning of the year for active members.

**(v) Expected Average remaining service vs. Average remaining future service:**

The average remaining service can be arithmetically arrived by deducting current age from normal retirement age whereas the expected average remaining service is arrived actuarially by applying multiple decrements to the average remaining future service namely mortality and withdrawals. Thus, the expected average remaining service is always less than the average remaining future service.

**(vi) Current and Non Current Liability:**

The total of current and non-current liability must be equal with the total of PVO ( Present value obligation) at the end of the period plus short term compensated liability if any. It has been classified in terms of " Schedule III" of the Companies Act, 2013.

**(vii) Defined Benefit Liability and Employer Contributions**

The Company has purchased insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

The Weighted Average duration of the defined benefit obligation is 10.99 years(2018-19 : 10.98 years). The expected cash flows over the subsequent years is as follows:

Expected Payout Gratuity	31st March, 2020	31st March, 2019
1st Year	48.89	44.74
2nd Year	10.49	10.08
3rd Year	11.21	10.50
4th Year	12.46	23.32
5th Year	21.85	11.74
beyond 5th Year	111.72	115.16

### 39.2.12 Risk Exposure

Through it is defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

- Investment/Interest Rate Risk:** The Company is exposed to Investment / Interest risk if the return on the invested fund falls below the discount rate used to arrive at present value of the benefit.
- Longevity Risk:** The Company is not exposed to risk of the employees living longer as the benefit under the scheme ceases on the employee separating from the employer for any reason.
- Risk of Salary Increase:** The Company is exposed to higher liability if the future salaries rise more than assumption of salary escalation.

### 40 Assets Pledged as Security

For Non Current Borrowings

Secured by First Charge on Property, Plant and Equipment and Second Charge on Current Assets.

**For Current Borrowings**

Secured by First Charge on Current Assets and Second Charge on PPE (Property, Plant and Equipment).

The carrying amounts of Company's assets pledged as security for Non Current and Current Borrowings of ₹ 15,179.73 (Previous Year ₹ 14,256.91) are as follows:

Particulars	31st March, 2020	31st March, 2019
Property, Plant and Equipment	27,518.98	28,010.79
Current Assets	21,878.09	20,759.03
<b>Total Assets Pledged as Security</b>	<b>49,397.07</b>	<b>48,769.82</b>

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 41 Research and Development

#### 41.1 Details of Revenue Expenditure (expensed as and when incurred):

Particulars	31st March, 2020	31st March, 2019
Salaries & Wages	416.07	412.58
Materials Consumed	94.55	99.94
Repairs and Maintenance	126.03	106.82
Power and Fuel	66.98	50.80
Testing and analysis charges	14.18	13.06
Rates and Taxes	7.28	7.12
Insurance	3.97	2.54
General Expenses	14.79	11.51
<b>Total</b>	<b>743.85</b>	<b>704.37</b>

#### 41.2 Details of Property, Plant and Equipment:

Particulars	Buildings	Plant and Equipment	Furniture and Fixtures	Computers	Vehicles	Patents Filing Fee	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Gross Carrying Value</b>							
1 As at 31 March, 2018	874.37	941.00	6.11	12.67	9.10	3.43	1,846.68
2 Additions	-	31.47	-	9.35	-	2.56	43.38
3 As at 31 March, 2019 (1+2)	874.37	972.47	6.11	22.02	9.10	5.99	1,890.06
4 Additions	68.25	1,147.10	17.32	28.46	-	3.95	1,265.08
5 As at 31 March, 2020 (3+4)	942.62	2,119.57	23.43	50.48	9.10	9.94	3,155.14
<b>Depreciation</b>							
6 As at 31 March, 2018	74.18	317.92	3.60	6.57	2.00	1.63	405.90
7 Charge for the Year	37.24	67.98	0.23	4.08	1.08	1.16	111.77
8 As at 31 March, 2019 (6+7)	111.42	385.90	3.83	10.65	3.08	2.79	517.67
9 Charge for the Year	38.15	106.24	0.85	7.37	1.08	1.41	155.10
10 As at 31 March, 2020 (8+9)	149.57	492.14	4.68	18.02	4.16	4.20	672.77
<b>Net Carrying Value</b>							
11 As at 31 March, 2018 (1-6)	800.19	623.08	2.51	6.10	7.10	1.80	1,440.78
12 As at 31 March, 2019 (3-18)	762.95	586.57	2.28	11.37	6.02	3.20	1,372.39
13 As at 31 March, 2020 (5-10)	793.05	1,627.43	18.75	32.46	4.94	5.74	2,482.37

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Financial Instruments and Risk Management

#### 42 Categories of Financial Instruments

Particulars	Note	Level	As at		As at	
			31 March, 2020		31 March, 2019	
			Carrying Value	Fair Value	Carrying Value	Fair Value
<b>A. Financial Assets</b>						
<b>(a) Measured at Amortised Cost</b>						
<b>(i) Non Current</b>						
(a) Bank Balances	8	3	224.89	224.89	212.50	212.50
(b) Other Financial Assets	9	3	331.95	331.95	343.04	343.04
<b>Sub - Total</b>			<b>556.84</b>	<b>556.84</b>	<b>555.54</b>	<b>555.54</b>
<b>(ii) Current</b>						
(a) Trade Receivables	12	Refer	4,877.07	4,877.07	2,602.25	2,602.25
(b) Cash and Cash Equivalents	13	Note	954.42	954.42	1,479.77	1,479.77
(c) Other Bank Balances	14	42.2	10.91	10.91	7.90	7.90
(d) Other Financial Assets	15		28.50	28.50	24.33	24.33
<b>Sub - Total</b>			<b>5,870.90</b>	<b>5,870.90</b>	<b>4,114.25</b>	<b>4,114.25</b>
<b>Total Financial Assets</b>			<b>6,427.74</b>	<b>6,427.74</b>	<b>4,669.79</b>	<b>4,669.79</b>
<b>B. Financial Liabilities</b>						
<b>(a) Measured at Amortised Cost</b>						
<b>(i) Non Current</b>						
(a) Borrowings	20	3	6,822.10	6,822.10	6,221.05	6,221.05
<b>(ii) Current</b>						
(a) Borrowings	23	Refer	6,115.52	6,115.52	7,080.86	7,080.86
(b) Trade Payables	24	Note	4,449.40	4,449.40	4,769.87	4,769.87
(c) Other Financial Liabilities	25	42.2	2,843.76	2,843.76	1,296.85	1,296.85
<b>Sub - Total</b>			<b>13,408.68</b>	<b>13,408.68</b>	<b>13,147.58</b>	<b>13,147.58</b>
<b>Total Financial Liabilities</b>			<b>20,230.78</b>	<b>20,230.78</b>	<b>19,368.63</b>	<b>19,368.63</b>

42.1 The Company's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

42.2 The carrying amounts of Trade Payables, Other Financial Liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

**42.3** The management has assessed that fair value of borrowings approximate to their carrying amounts largely since they are carried at floating rate of interest.

**42.4** Other non current financial assets consists of deposits with Government authorities where the fair value is considered to be the carrying value.

### 43 Fair Value Measurements

#### 43.1 Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

**Level 1:** Quoted prices (unadjusted) in active market for identical assets or liabilities.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entry specific estimates.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

#### 43.2 Valuation Techniques used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of remaining financial instruments is determined using discounted cashflow analysis.

#### 43.3 Valuation Process:

The Finance and accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The main Level 3 inputs are derived using the Discounted Cash Flow Analysis, Market Approach, Net Assets Value Method as applicable.

## 44 Financial Risk Management Objectives and Policies

### Financial Risk Management Framework

The Company is exposed primarily to credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Company.

#### 44.1 Credit Risk:

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Company result in Material Concentration of credit risk, except for Trade Receivables.



## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Financial Instruments and Cash Deposits

For banks and financial institutions, only high rated banks/ institutions are accepted. Other Financial Assets (excluding Bank Deposits) majorly constitute deposits given to State Electricity Departments for supply of power, which the company considers to have negligible credit exposure. Counterparty credit limits are reviewed by the Management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

### Expected Credit Loss for Trade Receivables under simplified approach

For Trade Receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer.

The credit risk is managed by the company by establishing credit limits and continuously monitoring the credit worthiness of the customer. The Company also provides for expected credit losses based on the past experience where it believes that there is high probability of default. In general, all trade receivables greater than 180 days are reviewed and provided for by analysing individual receivables. The Company has considered possible effect from the pandemic relating to Covid-19 on Credit risks including forward looking information to develop expected credit losses.

### Following are the Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	31st March, 2020	31st March, 2019
Gross Carrying Amount	4,879.72	2,655.57
Expected Credit Losses ( Loss Allowance Provision)	2.65	53.32
Net Carrying Amount of Trade Receivables	4,877.07	2,602.25

### Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	Outstanding		Total
	for < 180 days	for > 180 days	
Gross Carrying Amount of Trade Receivables	4,826.67	53.05	4,879.72
Expected Loss Rate	0.00%	5.00%	5.00%
Expected Credit Losses ( Loss allowance provision)	-	2.65	2.65
<b>Net Carrying Amount of Trade Receivables</b>	<b>4,826.67</b>	<b>50.40</b>	<b>4,877.07</b>

#### 44.2 Liquidity Risk:

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
<b>31 March, 2020</b>					
Non Current Borrowings (including Current Maturities)	2,291.50	5,632.74	1,000.00	189.36	9,113.60
Current Borrowings	6,115.52				6,115.52
Interest Accrued but not due	70.61				70.61
Trade Payables	4,449.40				4,449.40
Capital Creditors	470.75				470.75
<b>Total</b>	<b>13,397.78</b>	<b>5,632.74</b>	<b>1,000.00</b>	<b>189.36</b>	<b>20,219.88</b>
<b>31 March, 2019</b>					
Non Current Borrowings (including Current Maturities)	1,075.00	4,006.31	1,794.73	420.00	7,296.04
Current Borrowings	7,080.86				7,080.86
Interest Accrued but not due	-				-
Trade Payables	4,769.87				4,769.87
Capital Creditors	213.95				213.95
<b>Total</b>	<b>13,139.68</b>	<b>4,006.31</b>	<b>1,794.73</b>	<b>420.00</b>	<b>19,360.73</b>

### 44.3 Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk, currency rate risk, interest rate risk and other price risks such as equity risk. Financial instruments affected by market risk include loans and advances deposits investments in debt securities mutual funds and other equity funds.

#### 44.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest risk management by balancing the proportion of fixed rate and floating rate financial instruments in its portfolio.

Particulars	Change in basis points		Effect on Profit before Tax	
	Increase	Decrease	Decrease	Increase
31 March, 2020	0.50%	0.50%	(76.15)	76.15
31 March, 2019	0.50%	0.50%	(71.88)	71.88

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 44.3.2 Foreign Currency Exchange Rate Risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has transactional currency exposures arising from services provided or availed that are denominated in a currency other than the functional currency. The foreign currencies in which these transactions are denominated are mainly in US Dollars (\$). The Company's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

#### (a) Details of Unhedged Foreign Currency Exposure:

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Particulars	Currency	Amount in Foreign Currency	Amount in ₹ In Lakhs	Conversion Rate
<b>31st March, 2020</b>				
Trade Receivables	USD	31.79	2,394.85	75.33
Trade Payables	USD	7.57	570.12	75.33
Advance from Customers	USD	9.95	749.34	75.33
Advance to Suppliers	USD	7.55	568.36	75.33
<b>31st March, 2019</b>				
Trade Receivables	USD	28.16	1,955.58	69.44
Trade Payables	USD	3.89	269.83	69.44
Advance from Customers	USD	6.40	444.31	69.44
Advance to Suppliers	USD	0.01	0.62	69.44

#### (b) Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Effect on Profit before Tax	
	31st March, 2020	31st March, 2019
<b>USD Sensitivity</b>		
	₹	₹
Rs/USD - Increases by 1%	16.44	12.42
Rs/USD - Decreases by 1%	(16.44)	(12.42)

### 44.3.3 Other Price Risk:

Other price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 45 Capital Management

For the purposes of the Company's Capital Management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Company intends to keep the gearing ratio less than 1. The Company includes within net debt, borrowings including interest accrued on borrowings less cash and short term deposits.

Particulars	31st March, 2020	31st March, 2019
Borrowings including Interest Accrued	15,229.12	14,376.90
Less: Cash and Short Term Deposits	954.42	1,479.77
<b>Net Debt</b>	<b>14,274.70</b>	<b>12,897.13</b>
Equity	846.52	846.52
Other Equity	35,895.87	33,145.84
Total Equity	36,742.39	33,992.36
<b>Total Capital Employed</b>	<b>51,017.09</b>	<b>46,889.49</b>
Gearing Ratio (Net Debt/(Net Debt + Total Equity))	0.28	0.28

### 45.1 Loan Covenants

During the tenor of the facility with the bank, the following are the actual financial covenants:

Particulars	Stipulated Lenders	Actuals as at	
		31st March, 2020	31st March, 2019
Total Debt/TNW	<= 1.0	0.23	0.25
Total Debt / EBITDA	<= 3.0	1.01	0.91
DSCR	> 1.30	3.56	2.84
Total Indebtedness Ratio	2.50:1	0.41	0.41

Borrower to maintain the above financial indicators at the stipulated levels during the currency of the facility. In case of non-compliance of any covenant or other terms and conditions of sanction, penal interest one percent per annum on the entire outstanding for the period of non-adherence subject to a minimum period of one year.

### 46 Segment Information

#### A Basis for segmentation

The operations of the Company are limited to one segment viz. Pharmaceutical products including ingredients and intermediaries.. The products being sold under this segment are of similar nature and comprises of pharmaceutical products only. The Company's Chief Operating Decision Maker (CODM) reviews the internal management reports prepared based on aggregation of financial information of the Company on a periodic basis, for the purpose of allocation of resources and evaluation of performance. Accordingly, management has identified pharmaceutical segment as the only operating segment for the Company.

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### B Segment information for secondary segment reporting (by geographical segment)

The Company is engaged in the manufacture of Pharmaceuticals, which in the context of Ind AS 108 is considered only business segment.

The Company has reportable geographical segments based on location of its customers:

- (i) Revenue from customers within India – Domestic
- (ii) Revenue from customers outside India – Exports
- (iii) Revenue from customers EOU – Deemed Exports
- (iv) Revenue from Export Incentives

a) Revenues are attributed to geographical areas based on the location of the customers as detailed below:

Particulars	Current Year 2019-20		Previous Year 2018-19	
	Revenue	%	Revenue	%
Exports	15,093.43	36.64%	6,319.96	13.59%
Deemed Exports	16,742.24	40.64%	24,727.53	53.19%
Domestic	8,898.85	21.60%	15,134.86	32.55%
Export Incentives	460.16	1.12%	308.73	0.66%
<b>Total</b>	<b>41,194.68</b>	<b>100.00%</b>	<b>46,491.08</b>	<b>100.00%</b>

b) Non Current Asset

Particulars	31st March, 2020	31st March, 2019
With in India	40,832.20	36,923.02
Outside India	-	-
<b>Total</b>	<b>40,832.20</b>	<b>36,923.02</b>

**Note:**

Non-current assets for this purpose consist of property, plant and equipment, capital work in progress, intangible assets, intangible assets under development and other non-current assets.

### 47 Interest in Other Entities:

Name of the entity	Place of Business/ Country of incorporation	Ownership Interest held by the Company		Ownership interest held by Non- Controlling interests		Principal activity
		31 March 2020	31 March 2019	31 March 2020	31 March 2019	
VKT Pharma Private Limited	India	42.62%	42.62%	57.38%	57.38%	Manufacture and sale of API and Formulations

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 48 Related Party Transactions

#### (a) Key Management Personnel(KMP)

Name	Relationship
Mr. P Ramesh Babu	Chairman and Managing Director
Mr. T Lakshmi Narayana	Chief Financial Officer
Mr. V.S. Venkatish	Company Secretary

#### (b) Relatives of KMP

Name of the Relative	Relationship with KMP
Mr. P Vamsikrishna	Son of Mr. P Ramesh Babu

#### (c) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions :

Relationship	Name of the Company
Associate Company	1. VKT Pharma Private Limited
	2. SMS LifeSciences India Limited
Enterprises overwhich KMP are able to Exercise Significant Influence	3. Potluri Laboratories Private Limited
	4. Potluri Infra Projects LLP
	5. Rchem (Somanahalli) Private Limited

#### (d) Transactions with Related Parties:

Name of the Company	31st March, 2020	31st March, 2019
	Amount	Amount
<b>Key Management Personnel</b>		
Remuneration - Short Term Employee Benefits	288.47	338.25
<b>Relatives of KMP</b>		
Remuneration - Short Term Employee Benefits	52.50	39.00
<b>Associate Company</b>		
Purchases	-	19.15
Sales	1,385.96	163.04
Rental Income	24.66	7.08
<b>Enterprise with Significant Influence</b>		
Purchases	1,557.00	2,398.96
Sales	54.73	61.50
Rental Income	47.15	35.37
<b>Balance (Payable)/Receivable at the year end</b>		

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Name of the Company	31st March, 2020	31st March, 2019
	Amount	Amount
<b>Key Management Personnel</b>		
Remuneration Payable	44.39	77.03
<b>Relatives of KMP</b>		
Remuneration Payable	2.52	0.92
<b>Associate Company</b>	1,443.12	77.66
<b>Enterprise with Significant Influence</b>	(241.36)	(1,176.06)

**(e) Note:**

- i) The above transactions are in the ordinary course of business and are at arm's length price.
- ii) As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Key Management Personnel and their relatives is not ascertainable and, therefore, not included above. Contribution to Provident Fund was also not included.

### 49 Contingent Liabilities

Particulars	31st March, 2020	31st March, 2019
Letter of credits opened in favor of suppliers for which goods are yet to be received	32.34	188.51
Customs Duty against Advance Authorizations	116.50	116.50
Entry Tax Liability	1.75	1.75

**Note: Provident Fund**

Pursuant to Supreme Court Judgement dated 28 February 2019, regarding the provident fund contribution wherein there has been a clarification provided of the inclusions of basic wages for the purpose of computation of contribution towards provident fund, the Company has been legally advised that there are interpretative challenges on the application of the judgement retrospectively. Based on the legal advice and in the absence of reliable measurement of the provision for earlier periods, the Company has assessed the impact of the judgement only from the year ended 31st March, 2019 and concluded that there was no impact. Further, no contingent liability has been recognised based on retrospective application as amount cannot be reliably measured.

### 50 Commitments

Particulars	31st March, 2020	31st March, 2019
(a) Commitments for Capital Expenditure	5,782.53	323.92
(b) Export Obligations	9,992.76	10,605.33

## Notes to the Standalone Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 51 Payables to Micro, Small & Medium Enterprises

The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

Particulars	31st March 2020	31st March 2019
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	23.01	12.54
(ii) Interest on payments beyond the appointed day paid to the suppliers during the year	-	-
(iii) Interest due and payable for the delay in making payment to suppliers during the year	-	-
(iv) Amount of interest accrued and remaining unpaid to suppliers at the end of the year	0.29	3.55
(v) Amount of further interest remaining due and payable to suppliers in succeeding years	-	-

The above information regarding Micro Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the companies. This has been relied upon by the auditors.

### 52 Impact of Covid-19 Pandemic

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of its inventories, receivables and investments. As the company is into essential manufacturing service which is exempt from lockdown restrictions, there has been minimal impact in its operations and its supply chain. In this regard, the Company has considered internal and external information while finalizing various estimates in relation to its financial statements up to the date of approval by the Board of Directors and has not identified any material impact on the carrying value of assets, liabilities or provisions. As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic conditions.

### 53 Previous year figure have been regrouped and reclassified wherever considered necessary to confirm to this year's classifications.

The accompanying notes are an integral part of the Consolidated Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**  
Chartered Accountants  
FRN 00663 IS

For and on behalf of the Board of the Directors of  
**SMS Pharmaceuticals Limited**

**V NAGENDRA RAO**  
Partner  
M.No. 227679

**RAMESH BABU POTLURI**  
Chairman and Managing Director  
DIN No : 00166381

**TVVSN MURTHY**  
Director  
DIN No : 00465198

Place: Hyderabad  
Date : 05-06-2020

**T. LAKSHMI NARAYANA**  
Chief Financial Officer

**V.S.VENKATISH**  
Company Secretary



## Independent Auditor's Report

To  
The Board of Directors of  
**SMS Pharmaceuticals Limited**

### Report on the Consolidated Financial Statements

#### Opinion

We have audited the accompanying consolidated Ind AS financial statements of SMS Pharmaceuticals ("the Company") and its Associate Company VKT Pharma Pvt Limited which is Audited by other Statutory Auditors (collectively referred to as "the Group") which comprise the consolidated Balance Sheet as at March 31, 2020, the consolidated Statement of Profit and Loss, consolidated statement of changes in equity and the consolidated Cash Flow Statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (here in referred as "the consolidated Ind AS financial statements")

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its consolidated Profit (including other comprehensive income), consolidated changes in equity and its consolidated Cash Flow for the year ended on that date.

#### Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:

Sr. No.	Key Audit Matter	Auditor's Response
I	Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard)	<p>Principal Audit Procedures</p> <p>We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard.</p> <p>Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <ul style="list-style-type: none"> <li>• Evaluated the design of internal controls relating to implementation of the new revenue accounting standard.</li> <li>• Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence in respect of operation of these controls.</li> </ul>

		<ul style="list-style-type: none"> <li>• Selected a sample of continuing and new contracts and performed the following procedures:             <ol style="list-style-type: none"> <li>1. Read, analysed and identified the distinct performance obligations in these contracts.</li> <li>2. Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration.</li> </ol> </li> </ul>
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### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated Ind AS financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of

adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company and its subsidiary companies which are companies incorporated in India, has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant

doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other Matters**

The consolidated financial statements/financial information reflects the company's share of net profit (and other comprehensive income) of Rs.(138.38) lakhs for the year ended 31.03.2020 in respect of associate, VKT Pharma Private Limited, whose financial statement/information has not been audited by us. These financial statements/financial information have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures in respect of this said associate, and our report in terms of Sub Section 3 Section 143 of the Act, in so far as it relates to the aforesaid associate is based solely on the audit reports of the other auditors.

Our opinion on the consolidated Ind AS financial statements and our report on Other Legal and Regulatory requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the management.

## Report on Other Legal and Regulatory Requirements

- I. As required by section 143 (3) of the Act, we report that:
- we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - The consolidated Balance Sheet, the consolidated Statement of Profit and Loss, the consolidated statement of changes in equity and the consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account
  - In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - On the basis of written representations received from the directors of the Company and its associate as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
  - With respect to the adequacy of the internal financial controls over financial reporting of the Parent Company the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
  - With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 and in our opinion and to the best of our information and according to the explanations given to us:
- The Company has disclosed the impact of pending litigations as at 31st March, 2020 on its consolidated financial position in its financial statements as referred to in note 49 to the financial statements.
  - The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - There are no amounts which are required to be transferred to the Investor Education and Protection Fund for the year ending 31<sup>st</sup> March, 2020.

For **Suryanarayana & Suresh.,**  
Chartered Accountants  
Reg. No.006631S

**V Nagendra Rao**  
Partner

M. No. 227679

UDIN: 20227679AAAACQ5567

Place: Hyderabad  
Date: 05-06-2020

## **“Annexure A” to the Independent Auditor’s Report**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of SMS Pharmaceuticals Limited (“the Parent Company”) in respect of standalone Financial Statements as at March 31, 2020 in conjunction with our audit of the consolidated Ind AS financial statements of the Company for the year ended on that date.

#### **Management’s Responsibility for Internal Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors’ Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls over financial reporting.

#### **Meaning of Internal Financial Controls over Financial Reporting**

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Suryanarayana & Suresh.,**  
Chartered Accountants  
Reg. No.006631S

**V Nagendra Rao**  
Partner

M. No. 227679

UDIN: 20227679AAAACQ5567

Place: Hyderabad  
Date: 05-06-2020

## Consolidated Balance Sheet as at 31st March, 2020

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	As at 31st March, 2020	As at 31st March, 2019
<b>I</b>	<b>ASSETS</b>			
<b>I</b>	<b>Non-Current Assets</b>			
(a)	Property, Plant and Equipment	5	<b>27,518.98</b>	28,010.79
(b)	Right-of-use Assets	5	<b>446.31</b>	-
(c)	Capital Work-in-Progress	5	<b>4,212.31</b>	1,830.13
(d)	Intangible Assets	6	<b>83.26</b>	114.88
(e)	Financial Assets:			
(i)	Investments	7	<b>2,581.04</b>	2,699.25
(ii)	Bank Balances	8	<b>224.89</b>	212.50
(iii)	Other Financial Assets	9	<b>331.95</b>	343.04
(f)	Other Non-Current Assets	10	<b>3,514.63</b>	1,911.81
	<b>Total</b>		<b>38,913.37</b>	35,122.40
<b>2</b>	<b>Current Assets</b>			
(a)	Inventories	11	<b>12,920.02</b>	13,639.98
(b)	Financial Assets			
(i)	Trade Receivables	12	<b>4,877.07</b>	2,602.25
(ii)	Cash and Cash Equivalents	13	<b>954.42</b>	1,479.77
(iii)	Bank Balances (Other than (ii) above)	14	<b>10.91</b>	7.90
(iv)	Other Financial Assets	15	<b>28.50</b>	24.33
(c)	Other Current Assets	16	<b>2,776.81</b>	2,963.28
(d)	Current Tax Asset (Net)	17	<b>310.36</b>	41.51
	<b>Total</b>		<b>21,878.09</b>	20,759.03
	<b>TOTAL ASSETS</b>		<b>60,791.46</b>	55,881.43

## Consolidated Balance Sheet as at 31st March, 2020

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	As at 31st March, 2020	As at 31st March, 2019
<b>II</b>	<b>EQUITY AND LIABILITIES</b>			
<b>I</b>	<b>Equity:</b>			
(a)	Equity Share Capital	18	<b>846.52</b>	846.52
(b)	Other Equity	19	<b>33,977.04</b>	31,345.22
	<b>Total</b>		<b>34,823.56</b>	32,191.74
<b>2</b>	<b>LIABILITIES</b>			
<b>A</b>	<b>Non-Current Liabilities</b>			
(a)	Financial Liabilities			
(i)	Borrowings	20	<b>6,822.10</b>	6,221.05
(ii)	Lease Liabilities	20	<b>477.99</b>	-
(b)	Provisions	21	<b>172.64</b>	151.84
(c)	Deferred Tax Liabilities (Net)	22	<b>3,974.41</b>	3,061.84
	<b>Total</b>		<b>11,447.14</b>	9,434.73
<b>B</b>	<b>Current Liabilities</b>			
(a)	Financial Liabilities			
(i)	Borrowings	23	<b>6,115.52</b>	7,080.86
(ii)	Trade Payables:	24		
(a)	Trade Payables - MSME		<b>23.01</b>	12.54
(a)	Trade Payables Other than MSME		<b>4,426.39</b>	4,757.33
(iv)	Other Financial Liabilities	25	<b>2,843.76</b>	1,296.85
(b)	Provisions	21	<b>72.04</b>	72.04
(c)	Other Current Liabilities	26	<b>1,040.04</b>	1,035.34
	<b>Total</b>		<b>14,520.76</b>	14,254.96
	<b>TOTAL LIABILITIES</b>		<b>25,967.90</b>	23,689.69
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>60,791.46</b>	55,881.43

Significant Accounting Policies 4

The accompanying notes are integral part of the Consolidated Financial Statements

as per our report of even date

**for SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

for and on behalf of the Board of the Directors of

**SMS Pharmaceuticals Limited**

**V NAGENDRA RAO**

Partner

M.No. 227679

**RAMESH BABU POTLURI**

Chairman and Managing Director

DIN: 00166381

**TVVSN MURTHY**

Director

DIN: 00465198

Place: Hyderabad

Date : 05-06-2020

**T. LAKSHMI NARAYANA**

Chief Financial Officer

**V.S.VENKATISH**

Company Secretary



## Consolidated Statement of Profit and Loss for the Year ended 31st March, 2020

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	Current Year 2019-20	Previous Year 2018-19
<b>1</b>	<b>Income</b>			
	Revenue from Operations	27	<b>41,194.69</b>	46,491.08
	Other Income	28	<b>511.34</b>	340.31
	<b>Total Income</b>		<b>41,706.03</b>	46,831.39
<b>2</b>	<b>Expenses</b>			
	Cost of Materials Consumed	29	<b>25,950.18</b>	30,719.13
	Changes in Inventories	30	<b>(1,314.08)</b>	(1,448.28)
	Manufacturing Expenses	31	<b>3,363.87</b>	3,484.18
	Employee Benefits Expense	32	<b>3,935.22</b>	3,558.67
	Finance Cost	33	<b>1,221.14</b>	1,187.34
	Depreciation and Amortization Expense	34	<b>2,206.64</b>	1,927.29
	Other Expenses	35	<b>1,267.50</b>	1,167.63
	<b>Total Expenses</b>		<b>36,630.47</b>	40,595.96
<b>3</b>	<b>Profit Before Tax (1-2)</b>		<b>5,075.56</b>	6,235.43
<b>4</b>	<b>Tax Expense</b>			
	(a) Current Tax			
	(i) relating to Current Year		<b>900.00</b>	1,350.00
	(ii) relating to Earlier Year	36	<b>(5.86)</b>	(16.64)
	(b) Deferred Tax		<b>912.57</b>	756.72
			<b>1,806.71</b>	2,090.08
<b>5</b>	<b>Profit for the Year (3-4)</b>		<b>3,268.85</b>	4,145.35
<b>6</b>	<b>Share of Profit/(Loss) in associate companies</b>		<b>(111.48)</b>	(140.51)
<b>7</b>	<b>Net Profit (5-6)</b>		<b>3,157.37</b>	4,004.84
	<b>Other Comprehensive Income / (Loss)</b>			
	Items that will not be reclassified to Profit or Loss			
<b>8</b>	Remeasurement Gain/(Loss) of the defined benefit plans		<b>(13.15)</b>	(12.95)
<b>9</b>	Share of Other Comprehensive Income in Associates		<b>(9.09)</b>	2.13
<b>10</b>	Income Tax effect on the above		<b>(4.60)</b>	(4.52)
<b>11</b>	Share of Income Tax effect on the above in Associates		<b>(2.36)</b>	0.55
<b>12</b>	<b>Other Comprehensive Income/(Loss) after Tax for the Year (8+9-10-11)</b>		<b>(15.28)</b>	(6.85)
<b>13</b>	<b>Total Comprehensive Income/(Loss) for the Year (7-12)</b>		<b>3,142.09</b>	3,997.99
<b>14</b>	<b>Earnings Per Share (Face Value of Re.1 each)</b>	38		
	<b>-Basic and Diluted</b>		<b>3.73</b>	4.73
	Significant Accounting Policies	4		

The accompanying notes are integral part of the Consolidated Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

for and on behalf of the Board of the Directors of

**SMS Pharmaceuticals Limited**

**V NAGENDRA RAO**

Partner

M.No. 227679

**RAMESH BABU POTLURI**

Chairman and Managing Director

DIN: 00166381

**TVVSN MURTHY**

Director

DIN: 00465198

Place: Hyderabad

Date : 05-06-2020

**T. LAKSHMI NARAYANA**

Chief Financial Officer

**V.S.VENKATISH**

Company Secretary

## Consolidated Statement of Changes in Equity for the Year Ended 31st March, 2020

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### a. Equity Share Capital

Particulars	As at 31st March, 2020		As at 31st March, 2019	
	Number of Shares	Amount (₹)	Number of Shares	Amount (₹)
As at the Beginning of the Year	84,652,030	846.52	84,652,030	846.52
Changes in Equity Share Capital	-	-	-	-
<b>As at the End of the Year</b>	<b>84,652,030</b>	<b>846.52</b>	<b>84,652,030</b>	<b>846.52</b>

### b. Other Equity

Particulars	Reserves & Surplus				
	Securities Premium	Capital Redemption Reserve	General Reserve	Retained Earnings	Total Other Equity
<b>Balance as at 01st April, 2018</b>	<b>6,981.84</b>	<b>155.00</b>	<b>5,304.28</b>	<b>15,161.23</b>	<b>27,602.35</b>
Profit for the Year				4,145.35	4,145.35
Other Comprehensive Income for the year, net of Income Tax				(6.85)	(6.85)
<b>Total Comprehensive Income for the Year</b>	-	-	-	<b>4,138.50</b>	<b>4,138.50</b>
Others				(140.50)	(140.50)
Transfer to General Reserve			1,000.00	(1,000.00)	-
Payment of dividends (including tax)				(255.13)	(255.13)
<b>Balance as at 31st March, 2019</b>	<b>6,981.84</b>	<b>155.00</b>	<b>6,304.28</b>	<b>17,904.10</b>	<b>31,345.22</b>
<b>Balance as at 01st April, 2019</b>	<b>6,981.84</b>	<b>155.00</b>	<b>6,304.28</b>	<b>17,904.10</b>	<b>31,345.22</b>
Profit for the Year				3,268.85	3,268.85
Other Comprehensive Income for the year, net of Income Tax				(15.28)	(15.28)
<b>Total Comprehensive Income for the Year</b>	-	-	-	<b>3,253.57</b>	<b>3,253.57</b>
Others				(111.48)	(111.48)
Transfer to General Reserve			1,000.00	(1,000.00)	-
Payment of dividends (including tax) (Refer Note No.18.4)				(510.27)	(510.27)
<b>Balance as at 31st March, 2020</b>	<b>6,981.84</b>	<b>155.00</b>	<b>7,304.28</b>	<b>19,535.92</b>	<b>33,977.04</b>

The accompanying notes are integral part of the Consolidated Financial Statements

as per our report of even date

**for SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

for and on behalf of the Board of the Directors of

**SMS Pharmaceuticals Limited**

**V NAGENDRA RAO**

Partner

M.No. 227679

**RAMESH BABU POTLURI**

Chairman and Managing Director

DIN: 00166381

**TVVSN MURTHY**

Director

DIN: 00465198

Place: Hyderabad

Date : 05-06-2020

**T. LAKSHMI NARAYANA**

Chief Financial Officer

**V.S.VENKATISH**

Company Secretary

## Consolidated Statement of Cash Flow for the Year Ended 31st March, 2020

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S No	Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
<b>A</b>	<b>Cash Flow from Operating Activities</b>		
	Profit Before Tax	5,075.56	6,235.43
	Adjustments for:		
	Depreciation and Amortisation Expense	2,206.64	1,927.29
	Interest Income	(16.06)	(18.92)
	Allowance for Doubtful Debts	-	10.30
	Interest on Non Current Borrowings	646.51	779.42
	Provision for Employee Benefits	12.24	(27.82)
	Amortisation of Transaction Cost on Borrowings	6.23	10.27
	Notional Rent Expense	4.94	-
	Loss on Sale of Assets	5.14	0.11
	<b>Operating Profit before Working Capital Changes</b>	<b>7,941.20</b>	<b>8,916.08</b>
	<b>Change in Operating Assets and Liabilities</b>		
	(Increase)/Decrease in Trade Receivables	(2,274.82)	(197.64)
	(Increase)/Decrease in Inventories	719.96	(2,892.45)
	(Increase)/Decrease in Other Non Current Financial Assets	11.08	(104.36)
	(Increase)/Decrease in Other Non Current Asset	(1,602.82)	(82.73)
	(Increase)/Decrease in Other Current Financial Assets	(4.18)	29.20
	(Increase)/Decrease in Other Current Assets	186.48	(601.65)
	(Increase)/Decrease in Prepaid Taxes	47.37	(53.26)
	Increase/(Decrease) in Trade Payables	(375.78)	898.34
	Increase/(Decrease) in Other Current Liabilities	533.06	402.31
		<b>(2,759.65)</b>	<b>(2,602.24)</b>
	<b>Cash generated from Operations</b>	<b>5,181.55</b>	<b>6,313.84</b>
	Income Taxes Paid	(1,210.36)	(1,338.11)
	<b>Net Cash Inflow from Operating Activities "A"</b>	<b>3,971.19</b>	<b>4,975.73</b>
<b>B</b>	<b>Cash flows from Investing Activities</b>		
	Purchase of Property, Plant and Equipment	(4,273.40)	(3,483.82)
	Sale of Property, Plant and Equipment	13.36	9.29
	Margin Money Deposits	(27.45)	-
	Interest Received on Margin Money Deposit	31.12	7.19
	<b>Net Cash Outflow from Investing Activities "B"</b>	<b>(4,256.37)</b>	<b>(3,467.34)</b>

## Consolidated Statement of Cash Flow for the Year Ended 31st March, 2020

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S No	Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
<b>C</b>	<b>Cash Flows from Financing Activities</b>		
	Proceeds from Long Term Borrowings	2,886.32	150.00
	Repayment of Long Term Borrowings	(1,075.00)	(1,637.50)
	Proceeds from Short Term Borrowings	1,199.56	4,067.20
	Repayment of Short Term Borrowings	(2,164.89)	(2,826.05)
	Interest paid on Borrowings	(575.90)	(790.22)
	Dividend Paid to Company's Shareholders	(510.26)	(255.13)
	<b>Net Cash Inflow (Outflow) from Financing Activities "C"</b>	<b>(240.17)</b>	<b>(1,291.70)</b>
	<b>Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(525.35)</b>	<b>216.69</b>
	Cash and Cash Equivalents at the Beginning of the Financial Year (Refer Note 13)	1,479.77	1,263.08
	<b>Cash and Cash Equivalents at End of the Year (Refer Note 13)</b>	<b>954.42</b>	1,479.77

The accompanying notes are integral part of the Consolidated Financial Statements

- The Cash Flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.
- Previous year figures have been regrouped/reclassified to confirm to current year classification.

as per our report of even date

**for SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

for and on behalf of the Board of the Directors of

**SMS Pharmaceuticals Limited**

**V NAGENDRA RAO**

Partner

M.No. 227679

**RAMESH BABU POTLURI**

Chairman and Managing Director

DIN: 00166381

**TVVSN MURTHY**

Director

DIN: 00465198

Place: Hyderabad

Date : 05-06-2020

**T. LAKSHMI NARAYANA**

Chief Financial Officer

**V.S.VENKATISH**

Company Secretary

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 1. Corporate Information:

SMS Pharmaceuticals Limited (SMS Pharma), (the 'Company') is a Company limited by Shares domiciled in India incorporated under the Companies Act, 1956. The registered office of the Company is Plot No.72, H.No.8-2-334/3&4, Road No.5, Opp.SBI Executive Enclave, Banjara Hills, Hyderabad-500 034, Telangana, India. The Equity Shares of the Company are listed in Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company is engaged in the business of manufacturing of Active Pharma Ingredients and their intermediates. The Company is having manufacturing facilities at Bachupally, Hyderabad and also at Kandivalasa in Vijayanagaram Dist, apart from R&D Center at Gagillapur, Hyderabad.

### 2. Basis of preparation of Consolidated Financial Statements

#### 2.1 Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with the Indian Accounting Standards as notified under section 133 of the Companies Act 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules 2015 issued by Ministry of Corporate Affairs ('MCA'). The Company has uniformly applied the accounting policies during the years presented.

These consolidated financial statements have been prepared by the Group as a going concern on the basis of relevant Ind AS that are effective at the Group annual reporting date, 31<sup>st</sup> March, 2020. These consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2020 were authorized and approved for issue by the Board of Directors on 05<sup>th</sup> June, 2020.

#### 2.2 Historical Cost Convention:

The consolidated financial statements have been prepared on a going concern basis under the historical cost basis except for the following:

- Certain Financial Assets and Liabilities measured at Fair Value; (refer accounting policy regarding financial instruments).
- employee defined benefit assets/(liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation; and

### 2.3 Current and Non-Current Classification:

The Group presents assets and liabilities in the balance sheet based on current and non-current classification.

- (a) An asset is treated as current when it satisfies the below mentioned criteria:
  - Expected to be realized or intended to be sold or consumed in normal operating cycle;
  - Held primarily for the purpose of trading;
  - Expected to be realized within twelve months after the reporting period, or
  - Cash or Cash Equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- (b) All Other Assets are classified as non-current.
- (c) A liability is classified as current when it satisfies the below mentioned criteria:
  - Expected to settle the liability in normal operating cycle;
  - Held primarily for the purpose of trading;
  - Due to be settled within twelve months after the reporting period, or
  - There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
- (d) All Other liabilities are classified as non-current.
- (e) Deferred Tax Assets and Liabilities are classified as non-current assets and liabilities.
- (f) The Operating Cycle is the time between the acquisition of assets for processing and their realization in Cash and Cash Equivalents. The Company has identified Twelve months as its Operating Cycle.

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 2.4 Functional and Presentation Currency:

These consolidated financial statements are presented in Indian rupees (INR), which is also the functional currency of the Company. All amounts have been rounded-off to the nearest lakh, unless otherwise indicated.

### 3. New and amended standards adopted by the Group :

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

- Ind AS 116, Leases
- Long-term Interests in Associates and Joint Ventures - Amendments to Ind AS 28, Investments in Associates and Joint Ventures
- Uncertainty over Income Tax Treatments - Appendix C to Ind AS 12, Income Taxes
- Plan Amendment, Curtailment or Settlement - Amendments to Ind AS 19, Employee Benefits
- Amendment to Ind AS 12, Income Taxes
- Amendment to Ind AS 23, Borrowing costs

The amendments listed above did not have material impact on the financial statements.

### 4. Summary of Significant Accounting Policies:

The consolidated financial statements have been prepared using the accounting policies and measurement basis summarized below:

#### 4.1 Revenue Recognition:

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Group expects to receive in exchange for those products or services. To recognize revenues, we apply the following five step approach:

- (1) identify the contract with a customer,
- (2) identify the performance obligations in the contract,
- (3) determine the transaction price,
- (4) allocate the transaction price to the performance obligations in the contract, and
- (5) recognize revenues when a performance obligation is satisfied.

The specific recognition criteria described below must also be met before revenue is recognised.

The Group revenue is derived from sales of goods, service income and income from licensing arrangements. Most of such revenue is generated from the sale of goods. Accounting policies relating to revenue for the periods with effect from 01<sup>st</sup> April, 2018 are as follows:

#### (i) Revenue from Sale of Goods:

Revenue is recognized when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either upon shipment or upon receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Group considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Group is entitled to receive in exchange for transferring promised goods or services, excluding amounts collected on behalf of third parties. The amount of consideration varies because of estimated rebates, returns and chargebacks, which are considered to be key estimates. Any amount of variable consideration is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur.

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

The Company estimates the amount of variable consideration using the expected value method

Presented below are the points of recognition of revenue with respect to the Group's sale of goods:

Particulars	Point of recognition of revenue
Domestic Sales	Upon delivery of products to customers (generally formulation manufacturers), from the factories of the Company.
Export Sales	Upon delivery of the products to the customers unless the terms of the applicable contract provide for specific revenue generating activities to be completed, in which case revenue is recognised once all such activities are completed.

**(ii) Revenue from Sale of Services:**

Revenue from Sale of services is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

**(iii) Export incentives:**

Export incentives comprise of Duty draw back and MEIS (Merchandise Exports Incentive scheme) scrips. Duty drawback is recognised as income when the right to receive credit as per the terms is established in respect of the exports made.

MEIS is recognised as income on receipt of said scrips which will be after receipt of export proceeds. These scrips are freely transferable or can be utilized for the payment of

customs duty on Imports.

**(iv) Dividend Income:**

Dividends are received from financial assets at fair value through profit or loss and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of the investment.

**(v) Interest Income:**

Interest income from financial assets at fair value through profit or loss is disclosed as interest income within other income. Interest income, on financial assets at amortised cost and financial assets at FVOCI, is calculated using the effective interest method and the same is recognized in the statement of profit and loss as part of other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 4.2 Foreign Currency Transactions:

**i. Functional and Reporting Currency:**

The consolidated financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the Company.

**ii. Initial Recognition:**

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

**iii. Conversion on Reporting Date:**

Transactions in foreign currencies are

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

initially recorded by the Group at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

iv. **Exchange Differences:**

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

### 4.3 Property, Plant and Equipment:

(a) **Recognition and Initial Measurement**

Property, Plant and Equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Cost includes non-refundable taxes, duties, freight, borrowing costs and other incidental expenses related to the acquisition and installation of the respective assets.

Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress. Advances paid towards acquisition of assets are shown as Capital Advances.

Borrowing Cost relating to acquisition of Property, Plant and Equipment which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to put to use.

Subsequent Costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when

it is probable that future economic benefits associated with the item will flow to the Group. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

(b) **Subsequent Measurement (Depreciation and Useful Lives)**

Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

Depreciation on addition to/deletion from fixed assets made during the year is provided on pro-rata basis from/up to the date of such addition/deletion as the case may be. In case of assets costing less than Rs.5,000/- purchased during the year also depreciation has been provided at normal rates on pro-rata basis from the date of purchase.

Cost of the leasehold land is amortized on a straight-line basis over the term of the lease. Depreciation on landscape is being provided @10% under straight line method.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(c) **De-recognition**

An item of Property, Plant and Equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

(d) **Capital advances**

Advances paid towards acquisition of tangible fixed assets outstanding at each



## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

balance sheet date are shown under other non-current assets as capital advances.

### (e) Capital work-in-progress

Capital work-in-progress includes cost of property, plant and equipment under installation/development as at the balance sheet date.

#### 4.4 Investment Property:

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where its applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are depreciated using the straight-line method over their estimated useful lives. The useful life of buildings, classified as Investment properties, is considered as 30 years. The useful life has been determined based on technical evaluation performed by the management's expert.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their use. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of de-recognition.

#### 4.5 Intangible Assets:

##### (a) Recognition and Initial Measurement

Intangible assets are stated at their cost of

acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

##### (b) Subsequent measurement (amortization):

The cost incurred on Intangible Assets is amortized over a period of 6 years in case of Computer Software and 4 years for Patents on Straight Line Method.

#### 4.6 Leases:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Effective April 1, 2019, the Group adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 1, 2019 using the modified retrospective method.

##### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Lease liability and ROU asset have been separately presented in the Balance Sheet.

##### i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

### ii) Lease Liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is premeasured if there is

a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

### iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of asset (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease liability and ROU asset have been separately presented in the Balance Sheet.

## 4.7 Inventories:

Raw material, packaging material, are carried at cost. Stores and spares are being charged to revenue as and when purchased. Cost includes purchase price excluding taxes those are subsequently recoverable by the Group from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of Raw Material, packaging material is determined using the weighted average cost method.

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

bringing these inventories to their present location and condition. Cost of traded goods is determined on weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Spare Parts, Stand-by Equipment and Servicing Equipment are recognized in accordance with this Ind AS-16 when they meet the definition of property, plant and Equipment. Otherwise, such items are classified as inventory and are valued at Cost.

The carrying cost of raw materials, packing materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

### 4.8 Cash and Cash Equivalents:

Cash and Cash equivalents include cash on hand and at bank, deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less that are readily convertible to a known amount of cash which are subject to an insignificant risk of changes in value and are held for meeting short-term cash commitments.

For the Statement of Cash Flows, cash and cash equivalents consists of short term deposits, as defined above, net of outstanding bank overdraft as they are being considered as integral part of the Group's cash management.

### 4.9 FINANCIAL INSTRUMENTS

#### (a) Financial Assets

##### (i) Initial recognition and measurement

All financial assets are

recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial asset is also adjusted.

#### (ii) Subsequent measurement

##### a. Debt instruments-

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

##### b. Equity investments –

All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified as at fair value through profit and loss (FVTPL). For all other equity instruments, the Group decides to classify the same either

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Group makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

### (iii) De-recognition of financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset.

#### (b) Financial liabilities

##### (i) Initial Recognition and Measurement

All financial liabilities are recognized initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortized cost.

##### (ii) Subsequent Measurement

These liabilities include borrowings and deposits. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

##### (iii) De-recognition of

#### Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

##### (c) Financial Guarantee Contracts

Financial Guarantee Contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of expected loss allowance determined as per impairment requirements of Ind-AS 109 and the amount recognised less cumulative amortization.

(d) **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(e) **Impairment of Financial Assets**

In accordance with Ind-AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of

impairment loss for financial assets.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. When estimating the cash flows, the Group is required to consider

- All contractual terms of the financial assets (including Prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(f) **Trade Receivables**

The Group applies approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of receivables.

(g) **Other Financial Assets**

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

For recognition of impairment loss on other financial assets and risk exposure, the Group determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

### 4.10 Income Taxes:

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the respective laws of the state. Current tax includes taxes to be paid on the profit earned during the year and for the prior periods.

Deferred income taxes are provided based on the balance sheet approach considering the temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where a component has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if it is probable that they can be utilised against future taxable profits.

The Carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying

amount of a deferred tax asset to the extent that it is no longer probable that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

### 4.11 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chairman and managing director has been identified as being the Chief Operating Decision Maker (CODM). The Group is engaged in manufacturing and sale of Active Pharma Ingredients and their Intermediates and operates in a single operating segment. Revenues are attributed to geographical areas based on the location of the customers.

### 4.12 Government Grants:

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

Government grants relating to loans or similar assistance with an interest rate below the current applicable market rate are initially recognized and measured at fair value. The effect of this favorable interest is regarded as a government

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

grant and is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

### 4.13 Borrowings:

Borrowings are initially recognized at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of financial statements for issue, not to demand payment as consequence of the breach.

### 4.14 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the

cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

### 4.15 Provisions

Provisions are recognized when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provisions.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. Where the effect of the time of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognized as a finance cost.

Provision for litigation related obligation represents liabilities that are expected to materialize in respect of matters in appeal.

### 4.16 Dividends

The Group recognises a liability to make cash to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws in India, a distribution

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity. Interim dividends are recorded as a liability on the date of declaration by the Group Board of Directors.

### 4.17 Research and Development:

Revenue Expenditure on Research and Development is charged to revenue in the year in which it is incurred. Capital Expenditure on research and development is added to Property, Plant and Equipment and depreciated in accordance with the policies of the Group.

### 4.18 Employee Benefits:

#### (a) Defined Contribution Plan:

The Group contribution to provident fund and employee state insurance schemes is charged to the statement of profit and loss. The Group contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan.

#### (b) Defined Benefit Plan:

The Group has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognized in the balance sheet for defined benefit plans as the present value of the defined benefit obligation (DBO) at the reporting date. Management estimates the DBO annually with the assistance of independent actuaries as per the requirements of IND AS 19 "Employee Benefits". Actuarial gains and losses resulting from re-measurements of the liability are included in other comprehensive income.

The Group has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under

the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lump sum after deduction of necessary taxes upto a maximum limit as per the Gratuity Act, 1972. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Group makes contributions to the Gratuity Fund.

#### (c) Other Long-Term Employee Benefits

The Group also provides benefit of compensated absences to its employees which are in the nature of long -term benefit plan. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date as per the requirements of IND AS "Employee Benefits". Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit and loss in the year in which such gains or losses arise.

#### (d) Short-Term Employee Benefits

Short -term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

### 4.19 Earnings per Share:

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares



## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

outstanding during the year is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

### 4.20 Contingent Liabilities and Commitments:

Where it is not probable that an outflow of economic resources will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of balance sheet and is disclosed as a contingent liability.

Possible outcomes on obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities.

Contingent Assets are neither recognized nor disclosed. However, when realization of Income is virtually certain, related asset is recognized.

### 4.21 Fair Value Measurement

The Group measures Financial Instruments at fair value at each Balance Sheet Date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for such asset or liability, or in the absence of a principal market, in the most advantageous market which is accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic

best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted market prices) in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurements is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### 4.22 ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

changes or circumstances arising that are beyond the control of the Group.

**(i) Recognition of Deferred Tax Assets**

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Group future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

**(ii) Recognition of Deferred Tax Liability on Undistributed Profits:**

The extent to which the Group can control the timing of reversal of deferred tax calculation on undistributed profits of its subsidiaries requires judgment.

**(iii) Evaluation of Indicators for Impairment of Assets:**

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

**(iv) Recoverability of Advances/ Receivables:**

At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

**(v) Useful lives of Depreciable/ Amortizable Assets:**

Management reviews its estimate of the useful lives of depreciable/ amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may

change the utility of certain software, customer relationships, IT equipment and other plant and equipment.

**(vi) Defined Benefit Obligation (DBO):**

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

**(vii) Fair Value Measurements:**

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

**(viii) Provisions:**

At each balance sheet date the management judgment, changes in facts and legal aspects, the Group assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgment.

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Note 5: Property, Plant and Equipment

Particulars	Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Right-of-use Assets	Capital Work-in-Progress
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<b>Year Ended 31st March, 2019</b>												
<b>Gross Carrying Amount</b>												
1 Opening Gross Carrying Amount	421.30	7,624.44	22,918.73	282.77	66.33	91.00	29.39	326.53	8.64	31,769.13	-	819.66
2 Additions	-	-	1,715.17	-	39.50	63.19	63.47	37.46	115.03	2,033.82	-	3,029.64
3 Disposals/Transfers	-	-	(5.34)	-	(2.72)	(0.50)	(2.23)	(2.51)	-	(13.30)	-	(2,019.17)
4 Closing Gross Carrying Amount as at 31st March, 2019 (1+2+3)	421.30	7,624.44	24,628.56	282.77	103.11	153.69	90.63	361.48	123.67	33,789.65	-	1,830.13
<b>Accumulated Depreciation and Impairment</b>												
5 Opening Accumulated Depreciation	-	548.98	3,128.81	37.44	35.49	24.49	11.09	89.15	3.79	3,879.24	-	-
6 Depreciation Charge during the Year	-	277.73	1,522.97	18.38	16.75	11.41	4.48	49.93	1.89	1,903.54	-	-
7 Disposals	-	-	(1.67)	-	(1.60)	(0.13)	(0.52)	-	-	(3.92)	-	-
8 Closing Accumulated Depreciation and Impairment as at 31st March, 2019 (5+6+7)	-	826.71	4,650.11	55.82	50.64	35.77	15.05	139.08	5.68	5,778.86	-	-
<b>9 Net Carrying Amount as at 31st March, 2019 (4-8)</b>	<b>421.30</b>	<b>6,797.73</b>	<b>19,978.45</b>	<b>226.95</b>	<b>52.47</b>	<b>117.92</b>	<b>75.58</b>	<b>222.40</b>	<b>117.99</b>	<b>28,010.79</b>	<b>-</b>	<b>1,830.13</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Particulars	Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Right-of-use Assets	Capital Work-in-Progress
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<b>Year Ended 31st March, 2020</b>												
<b>Gross Carrying Amount</b>												
1 Opening Gross Carrying Amount	421.30	7,624.44	24,628.56	282.77	103.11	153.69	90.63	361.48	123.67	33,789.65	541.95	1,830.13
2 Additions	-	89.99	1,362.08	5.00	34.31	41.97	15.47	23.94	24.79	1,597.55	-	3,933.49
3 Disposals/Transfers	-	-	(11.15)	-	-	-	-	(11.70)	-	(22.85)	-	(1,551.31)
4 Closing Gross Carrying Amount as at 31st March, 2020 (1+2+3)	421.30	7,714.43	25,979.49	287.77	137.42	195.66	106.10	373.72	148.46	35,364.35	541.95	4,212.31
<b>Accumulated Depreciation and Impairment</b>												
5 Opening Accumulated Depreciation	-	826.71	4,650.11	55.82	50.64	35.77	15.05	139.08	5.68	5,778.86	-	-
6 Depreciation Charge during the Year	-	278.69	1,646.20	18.53	21.79	18.45	17.56	49.78	24.43	2,075.43	95.64	-
7 Disposals	-	-	(2.21)	-	-	-	-	(6.71)	-	(8.92)	-	-
8 Closing Accumulated Depreciation and Impairment as at 31st March, 2020 (5+6+7)	-	1,105.40	6,294.10	74.35	72.43	54.22	32.61	182.15	30.11	7,845.37	95.64	-
<b>9 Net Carrying Amount as at 31st March, 2020 (4-8)</b>	<b>421.30</b>	<b>6,609.03</b>	<b>19,685.39</b>	<b>213.42</b>	<b>64.99</b>	<b>141.44</b>	<b>73.49</b>	<b>191.57</b>	<b>118.35</b>	<b>27,518.98</b>	<b>446.31</b>	<b>4,212.31</b>

### 5.1 Property, Plant and Equipment pledged as Security

Refer Note 40 for information on Property, Plant and Equipment pledged as security by the Company

5.2 Refer Note 50(a) for disclosure of contractual commitments for the acquisition of property, plant and equipment.

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Note 5.3: Right of Use Assets and Lease Liability

The Company has adopted Ind AS 116 - Leases with effect from 01.04.2019 using modified retrospective method . This has resulted in recognizing right of use assets and lease liability as on 01.04.2019.

#### Right of Use Assets

Following are the changes in the carrying value of right of use assets for the year ended 31st March 2020:

Particulars	Category of ROU asset
Balance as at 01st April, 2019	
On account of adoption of Ind AS	541.95
Additions	-
Deletions : Depreciation	95.64
Balance as at 31st March, 2020	446.31

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

#### Lease Liability

The following is the movement in lease liabilities during the year ended 31st March, 2020:

Particulars	As at 31st March, 2020
Balance as at 01st April, 2019	
On account of adoption of Ind AS 116	541.95
Additions	-
Deletions : Payment of lease liabilities	63.96
Balance as at 31st March, 2020	477.99

The table below provides details regarding the contractual maturities of lease liabilities as at 31st March, 2020 on an undiscounted basis

Particulars	Total
Less than one year	122.40
One to five years	499.49
More than five years	-
<b>Total</b>	<b>621.89</b>

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

The Company has also taken lease for office premises in Vishakapatnam and the said lease is revocable by either of the parties with prior intimation. During the Year, the company has paid lease rental of 5.14 lakhs (Previous Year 6.43 lakhs).

The above leases are revocable. Hence, disclosure requirement under Ind AS 17 "Leases" is not required.

The Company has also taken certain equipment under non cancellable operating lease agreements for a period of 5 years and the said lease period completed during the year 2019-20. Lease rental on this equipment paid was Rs.3.04 lakhs (Previous Year Rs.4.02 lakhs).

- 5.4 **Operating Lease Commitments - Company as Lessor** :The Company has given on Lease of its part premises in R & D Gagilapur for a lease term of 6 Years to an associate company . The Company has recognized income for an amount of 6.50 lakhs (Previous Year 6.00 lakhs).

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Note 6 Intangible Assets

Particulars	Computer Software	Patents	Total
(1)	(2)	(3)	(4)
<b>Year Ended 31st March, 2019</b>			
<b>Gross Carrying Amount</b>			
1 Opening Gross Carrying Amount as at 01st April, 2018	60.18	4.56	64.74
2 Additions	7.58	94.78	102.36
3 Closing Gross Carrying Amount as at 31st March, 2019 (1+2)	67.76	99.34	167.10
<b>Accumulated Amortisation and Impairment</b>			
4 Opening Accumulated Amortisation as at 01st April, 2018	25.86	2.61	28.47
5 Amortisation Charge during the year	10.57	13.18	23.75
6 Closing Accumulated Amortisation and Impairment as at 31st March, 2019 (4+5)	36.43	15.79	52.22
<b>7 Closing Net Carrying Amount as at 31st March, 2019 (3-6)</b>	<b>31.33</b>	<b>83.55</b>	<b>114.88</b>
<b>Year Ended 31st March, 2020</b>			
<b>Gross Carrying Amount</b>			
1 Opening Gross Carrying Amount as at 01st April, 2019	67.76	99.34	167.10
2 Additions	-	3.95	3.95
3 Closing Gross Carrying Amount as at 31st March, 2020 (1+2)	67.76	103.29	171.05
<b>Accumulated Amortisation and Impairment</b>			
4 Opening Accumulated Amortisation as at 01st April, 2019	36.43	15.79	52.22
5 Amortisation Charge during the year	10.95	24.62	35.57
6 Closing Accumulated Amortisation and Impairment as at 31st March, 2020 (4+5)	47.38	40.41	87.79
<b>7 Closing Net Carrying Amount as at 31st March, 2020 (3-6)</b>	<b>20.38</b>	<b>62.88</b>	<b>83.26</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Non Current Financial Assets - Unsecured, Considered good

Note	Particulars	As at 31st March, 2020		As at 31st March, 2019	
		No. of Shares	Amount	No. of Shares	Amount
<b>7</b>	<b>Non-Current Investments</b>				
	<b>(Unquoted, carried at cost)</b>				
	<b>Investment in Associates (fully paid up)</b>				
	Equity Shares of Rs. 10/- each in M/s. VKT Pharma Limited	3,850,165	2,581.04	3,850,165	2,699.25
	<b>Total</b>		<b>2,581.04</b>		<b>2,699.25</b>
	Aggregate amount of unquoted investments		2,581.04		2,699.25
	Aggregate amount of quoted investments and market value thereof		-		-
	Aggregate amount of impairment in the value of investment		-		-
7.1	As on 31.03.2020, the Company is holding 42.62 % ( 31st March, 2019 42.62%) of the total Paid up Capital of the said Associate Company.				
<b>8</b>	<b>Bank Balances</b>				
	Margin Money Deposits		224.89		212.50
	<b>Total</b>		<b>224.89</b>		<b>212.50</b>
8.1	Margin Money Deposits are subject to the first charge against Bank guaranties and /are Letter of Credits.				
<b>9</b>	<b>Other Non-Current Financial Assets</b>				
	Security Deposits		331.95		343.04
	<b>Total</b>		<b>331.95</b>		<b>343.04</b>
<b>10</b>	<b>Other Non-Current Assets</b>				
	Capital Advances		3,514.63		1,911.81
	<b>Total</b>		<b>3,514.63</b>		<b>1,911.81</b>
10.1	An amount of Rs.304.91 lakhs was included in the Capital Advances paid on account of land admeasuring AC 23.00 in JNPC, Parwada, Visakhapatnam District, and the amount so paid is equivalent to 100% land cost to APIIC and about 80% of development cost to Ramky Pharmacy respectively. Due to the cancellation of part of land allotted to the company in earlier, the company has filed a writ petition before the Hon'ble High Court and the Court has granted stay which is pending.				
10.2	Capital advances of Rs.1911.81 lakhs as at 31st March,2019 includes an amount of Rs. 1055.00 Lakhs paid in July,2017 on account of a property, purchased in the e-auction conducted by the State Bank of India. The said property bearing plot No 737A admeasuring 1015 sq.yards together with unfinished structures thereon situated at ward no 8 Block No. 2 Jubilee Hills Hyderabad. At the time of handoving the possession of the property, the borrower of the Bank has filed a case against SBI under SARFAESI Act before DRT (Debt Recovery Tribunal), Hyderabad, wherein the company has impleaded as respondent number 2. The said DRT has ordered the Bank				

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

to reacquire the said property and accordingly the bank refunded the amount to the company in the month of June, 2019. Aggrieved with this, the company has filed an appeal before the Appellate Authority DRAT, Kolkata. The DRAT granted stay on the auction proceedings. The matter is pending.

Note	Particulars	As at 31st March 2020	As at 31st March 2019
<b>11</b>	<b>Inventories</b>		
	(Cost or Net Realisable Value, whichever is lower and as valued and certified by the management)		
	Raw Materials	3,400.91	5,455.75
	Stock-in-Process	4,391.69	4,274.05
	Finished Goods	5,068.02	3,871.58
	Coal & Fuel	59.40	38.60
	<b>Total</b>	<b>12,920.02</b>	<b>13,639.98</b>

11.1 Finished Goods includes stock in transit of Rs. 277.87 lakhs (31st March, 2019 Rs. 470.52 lakhs)

## 12 Trade Receivables

Current - Unsecured

(i) Considered Good	4,877.07	2,602.25
(ii) Considered Doubtful	2.65	53.32
Less: Allowance for Doubtful Debts	2.65	53.32

<b>Total</b>	<b>4,877.07</b>	<b>2,602.25</b>
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### Break-up of security details

Trade Receivables considered Good-Secured	-	-
Trade Receivables considered Good-Un Secured	4,877.07	2,602.25
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables - credit impaired	2.65	53.32
<b>Total</b>	<b>4,879.72</b>	<b>2,655.57</b>
Less: Provision for Doubtful Debts	2.65	53.32
<b>Total Trade receivables</b>	<b>4,877.07</b>	<b>2,602.25</b>

12.1 The Company has computed the expected credit loss allowance for doubtful trade receivables on age analysis basis on assumption of expected credit loss of 5% on outstanding receivables on more than 180 days.

12.2 Trade Receivables includes an amount of Rs. 1443.12 lakhs (31st March, 2019 Rs. 77.66 lakhs) a related party (Refer Note.48)

12.3 The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates used in the provision matrix. In calculating expected credit loss, the Company has also considered credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.



## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	As at 31st March 2020	As at 31st March 2019
<b>13</b>	<b>Cash and Cash Equivalents</b>		
(i)	Balances with Banks		
	-in Current Accounts	710.24	1,474.85
	- in EEFC account	232.36	0.19
(ii)	Cash on Hand	11.82	4.73
	<b>Total</b>	<b>954.42</b>	<b>1,479.77</b>
<b>14</b>	<b>Bank Balances Other than Cash and Cash Equivalents</b>		
	Balances in Unclaimed Dividend Accounts	10.91	7.90
	<b>Total</b>	<b>10.91</b>	<b>7.90</b>
<b>15</b>	<b>Other Current Financial Assets</b>		
	(unsecured, considered good)		
	Export Incentive Receivable	28.50	24.33
	<b>Total</b>	<b>28.50</b>	<b>24.33</b>
<b>16</b>	<b>Other Current Assets</b>		
	(unsecured, considered good)		
	Cenvat Credit Receivable	-	49.34
	GST Credit Receivable	685.07	1,449.84
	GST Refund Receivable	1,027.97	926.74
	Prepaid Expenses	186.90	104.63
	Interest Receivable	13.81	14.93
	Advances to Suppliers	674.42	173.36
	Export Incentives Receivable	153.28	103.17
	Other Advances and Receivables	35.36	141.28
	<b>Total</b>	<b>2,776.81</b>	<b>2,963.29</b>
<b>17</b>	<b>Current Tax Assets/(Liabilities)</b>	<b>310.36</b>	<b>41.51</b>
<b>17.1</b>	<b>Advance Income Tax</b>	<b>1165.65</b>	<b>1273.10</b>
	TDS Receivable	44.71	118.41
	Less: Provision for Income Tax	900.00	1350.00
	<b>Total</b>	<b>310.36</b>	<b>41.51</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 18 Equity Share Capital

Note	Particulars	As at 31st March, 2020		As at 31st March, 2019	
		Number of Shares	Amount	Number of Shares	Amount
<b>Authorised Share Capital</b>					
	Equity Shares of Re. 1/- each	120,000,000	1,200.00	120,000,000	1,200.00
<b>Issued, Subscribed and Fully Paid Up</b>					
	Equity Shares of Re. 1/- each	84,652,030	846.52	84,652,030	846.52
	<b>Total</b>	<b>84,652,030</b>	<b>846.52</b>	<b>84,652,030</b>	<b>846.52</b>

### 18.1 Reconciliation of Number of Equity Shares outstanding at the Beginning and at the End of the Year

#### Equity Shares

At the Beginning of the Year	84,652,030	846.52	84,652,030	846.52
Add: Issued/(Reduced) during the Year	-	-	-	-
<b>At the End of the Year</b>	<b>84,652,030</b>	<b>846.52</b>	<b>84,652,030</b>	<b>846.52</b>

### 18.2 Rights attached to Equity Shares

The Company has only one class of equity shares having face value of Re. 1 per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### 18.3 Details of Shareholders holding more than 5% shares in the Company

Note	Particulars	As at 31st March, 2020		As at 31st March, 2019	
		Number of shares	% holding	Number of shares	% holding
	Mr. Ramesh Babu Potluri	14,506,960	17.14%	14,506,960	17.14%
	Mrs. Hima Bindu Potluri	13,398,360	15.83%	12,373,360	14.62%
	Mr. TVVSN Murthy*	9,448,340	11.16%	12,208,340	14.42%
	M/s. Potluri Infra Projects LLP	5,970,000	7.05%	5,970,000	7.05%
	Mr. Vamsi Krishna Potluri	4,810,590	5.68%	2,030,590	2.40%
	Mrs. T. Annapurna	3,365,340	3.98%	4,390,340	5.19%

\* including shares held in the capacity of karta of HUF aggregating to 39,81,340 shares ( 31st March, 2019 39,81,340 Shares )

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 18.4 Distributions made and proposed

Note	Particulars	Current Year 2019-20	Previous Year 2018-19
	<b>Cash dividends on equity shares declared and paid:</b>		
	Dividend for the Financial Year 2018-19 : Re.0.25 per share	211.63	211.63
	Dividend Distribution Tax	43.50	43.50
	Interim/final dividend for the financial year 2019-20 : Re.0.25 per Share	211.63	-
	Dividend distribution tax on interim/final dividend	43.50	-
	<b>Total</b>	<b>510.26</b>	<b>255.13</b>
	<b>Proposed dividends on equity shares:</b>		
	Dividend	-	211.63
	Dividend Distribution Tax on Proposed Dividend	-	43.50
	<b>Total</b>	<b>-</b>	<b>255.13</b>

For the Year ended 31st March, 2020, the company has declared and paid interim/final dividend for distribution to equity shareholders was Re. 0.25 per share of Re.1/- each (31st March, 2019: Re. 0.25 per share of Re.1/- each).

### 19 Other Equity

Note	Particulars	As at 31st March, 2020	As at 31st March, 2019
	<b>Reserves and Surplus</b>		
	Securities Premium	6,981.84	6,981.84
	Capital Redemption Reserve	155.00	155.00
	General Reserve	7,304.28	6,304.28
	Retained Earnings	19,535.92	17,904.10
	<b>Total</b>	<b>33,977.04</b>	<b>31,345.22</b>
<b>19.1</b>	<b>Securities Premium Reserve</b>		
	Opening Balance	6,981.84	6,981.84
	Adjustments	-	-
	<b>Closing Balance</b>	<b>6,981.84</b>	<b>6,981.84</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	31 March 2020	31 March 2019
<b>19.2</b>	<b>Capital Redemption Reserve</b>		
	Opening Balance	155.00	155.00
	Adjustments	-	-
	<b>Closing Balance</b>	<b>155.00</b>	<b>155.00</b>
<b>19.3</b>	<b>General Reserve</b>		
	Opening Balance	6,304.28	5,304.28
	Transferred from Statement of Profit & Loss	1,000.00	1,000.00
	<b>Closing Balance</b>	<b>7,304.28</b>	<b>6,304.28</b>
<b>19.4</b>	<b>Retained Earnings</b>		
	(a) Opening Balance	17,904.10	15,161.23
	(b) Net Profit for the Year	3,268.85	4,145.35
	(c) Transferred to General Reserve	(1,000.00)	(1,000.00)
	(d) Dividends ( Including Tax) (Refer Note 18.4)	(510.27)	(255.13)
	(e) Accumulated Share of Profit/(Loss) in Associates	(111.48)	(140.51)
	(f) Items of Other Comprehensive Income		
	Remeasurement Gain/(Loss) of the defined benefit plans	(15.28)	(6.85)
	<b>Closing Balance</b>	<b>19,535.92</b>	<b>17,904.10</b>

### 19.5 Nature and Purpose of Reserves

**(a) Securities Premium Reserve:**

Securities Premium Reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act 2013.

**(b) Capital Redemption Reserve:**

The Company has recognized Capital Redemption reserve on buy back of equity shares. The amount in capital redemption reserve is equal to nominal amount of the equity shares bought back. This reserve will be utilized in accordance with Section 69 of the Companies Act,2013.

**(c) General Reserve:**

Though mandatory transfer to General Reserve is not required under the Companies Act,2013, the Company generally appropriates a portion of its earnings to the general reserve to be used for contingencies. These reserves are freely available for use by the Company.

**(d) Retained Earnings:**

These are the accumulated earnings after appropriation of total comprehensive income and related transfers. The company uses retained earnings in accordance with the provisions of the Companies Act.

**(e) Analysis of items of OCI, net of tax**

Re-measurements of defined benefit plans (Refer Note 39)

Re-measurements of defined plans comprises actuarial gains and losses and return on plan assets

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	As at 31st March, 2020	As at 31st March, 2019
<b>20</b>	<b>Financial Liabilities</b>		
	<b>Non Current Borrowings</b>		
<b>20.1</b>	<b>Secured</b>		
	<b>Term Loans from Banks</b>		
	(a) IDBI Bank Ltd	3,487.92	4,683.09
	(b) Export Import Bank Loan-1	1,344.36	1,417.96
	(c) Export Import Bank Loan-2	1,592.60	-
	(d) Yes Bank	277.22	-
	<b>Sub Total</b>	<b>6,702.10</b>	<b>6,101.05</b>
<b>20.2</b>	<b>Unsecured</b>		
	DSIR Assistance	120.00	120.00
	<b>Total</b>	<b>6,822.10</b>	<b>6,221.05</b>
<b>20.3</b>	<b>Current Maturities of Non Current Borrowings</b>		
	<b>Secured</b>		
	<b>(a) Term Loans from Banks</b>		
	(i) IDBI Bank Ltd	1200.00	1000.00
	(ii) Export Import Bank Loan-1	75.00	75.00
	(iii) Export Import Bank Loan-2	377.00	-
	(iv) Yes Bank	639.50	-
	<b>Total</b>	<b>2291.50</b>	<b>1075.00</b>
	Amount disclosed under the head "Other Current Financial Liabilities" (Refer Note 25)	(2,291.50)	(1,075.00)
	<b>Total</b>	<b>-</b>	<b>-</b>
<b>20.4</b>	<b>Lease Liabilities</b>	<b>477.99</b>	<b>-</b>
	<b>Total</b>	<b>477.99</b>	<b>-</b>
<b>20.1.1</b>	<b>Security Terms</b>		
	(a) Term Loans availed from IDBI Bank Limited, Yes Bank Limited and Long Term Working Capital Loan (LTWCL) availed from Export-Import Bank of India (Exim Bank) are secured by first charge on pari-passu basis of all movable and immovable fixed assets both present and future and second charge on pari-passu basis of all Current Assets both present and future.		

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

- (b) Term Loans availed from IDBI Bank is also guaranteed by Mr. P Ramesh Babu, Chairman and Managing Director and Mr. TVVSN Murthy, Director of the company in their personal capacities.
- (c) Term Loans availed from Export Import Bank of India and Yes Bank Limited are also guaranteed by Mr. P Ramesh Babu, Chairman and Managing Director and Mr. Vamsi Krishna Potluri, Sr VP of the company in their personal capacities.
- (d) Long Term Working Capital Loan availed from Exim Bank is guaranteed by Mr. Ramesh Babu Potluri, Chairman and Managing Director in his personal capacity.
- (e) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 40.

### 20.1.2 Rate of Interest :

Name of the Bank	Rate of Interest
<b>Term Loans</b>	
IDBI Bank (MCLR (Y) + 0.85% p.a.)	9.50%
Exim Bank (LTMLR+ 95 basis points)	10.05%
Yes Bank (MCLR (Y) + 70 basis points)	10.25%
<b>Long Term Working Capital Loan</b>	
Exim Bank (LTMLR+50 basis points)	9.60%

### 20.1.3 Terms of Repayment

- (a) The loan availed from IDBI Bank amounting to Rs.7500 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Quarterly Installments commencing from December, 2016, as mentioned below.

First 4 Quarters	Rs. 100 Lakhs each
Next 4 Quarters	Rs. 200 Lakhs each
Next 4 Quarters	Rs. 300 Lakhs each
Next 4 Quarters	Rs. 400 Lakhs each
Next 4 Quarters	Rs. 425 Lakhs each
Next 4 Quarters	Rs. 450 Lakhs each

The Company has availed moratorium for principal payment only for the above said loan as per RBI Relaxation on account COVID19

- (b) The Long Term Working Capital Loan availed from Exim Bank of India amounting Rs. 1500 lakhs is to be repaid in 20 structured quarterly installments commencing from 1st october,2019, as mentioned below:

First 4 Quarters	Rs. 25 Lakhs each
Next 4 Quarters	Rs. 25 Lakhs each
Next 4 Quarters	Rs. 50 Lakhs each
Next 4 Quarters	Rs. 125 Lakhs each
Next 4 Quarters	Rs. 150 Lakhs each

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

**20.2.1** Financial Assistance received from Department of Scientific and Industrial Research (DSIR) of Rs. 120.00 Lakhs (previous year Rs. 120.00 Lakhs) sanctioned under PATSER Scheme of TPDU program for development of catalysts or Fine Chemicals apart from Active Pharmaceutical Ingredients (API's), and their intermediates viz. Metal Acetylacetonates, Diltiazem Hydrochloride and Taxol C-13 Side Chain.

As per the terms of agreement entered with DSIR, 1.3 times of the above amount is payable in 5 equal annual installments after commencement of commercial operations of the product(s) developed under PATSER scheme. However the Company has not yet commenced commercial operations of the said products.

### 20.5 Debt Reconciliation as required by Ind AS -7 Statement of Cash Flows

Particulars	31st March, 2020	31st March, 2019
Opening Borrowings	6,221.05	7,139.82
Add: Opening Current Maturities	1,075.00	1,633.46
Add: Amortisation of Transaction Cost	6.23	10.27
Add: Received during the year	2,886.32	150.00
Less: Paid during the year	1,075.00	1,637.50
Closing Borrowings	9,113.60	7,296.05
Less: Closing Current Maturities	2,291.50	1,075.00
<b>Non Current Borrowings as per Balance Sheet</b>	<b>6,822.10</b>	<b>6,221.05</b>

Note	Particulars	As at 31st March 2020	As at 31st March 2019
<b>21</b>	<b>Provisions</b>		
	<b>Provision for Employee Benefit Obligations</b>		
	<b>Non Current</b>		
	Gratuity	118.88	108.34
	Leave Encashment	53.77	43.50
	<b>Sub Total</b>	<b>172.64</b>	<b>151.84</b>
	<b>Current</b>		
	Gratuity	44.77	44.77
	Leave Encashment	27.27	27.27
	<b>Sub Total</b>	<b>72.04</b>	<b>72.04</b>
	<b>Total</b>		
	Gratuity	163.64	153.11
	Leave Encashment	81.04	70.77
	<b>Grand Total</b>	<b>244.68</b>	<b>223.88</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

21.1 For details of Post Employment Benefits. Refer Note 39.

Note	Particulars	As at 31st March 2020	As at 31st March 2019
<b>22</b>	<b>Deferred Tax Liabilities (net)</b>		
	The Balance Comprises Temporary Differences Attributable to:		
	<b>(a) Deferred Tax Liability</b>		
	(i) Property, Plant and Equipment	5,308.15	4,638.28
	(ii) Others	41.37	8.37
	<b>Total</b>	<b>5,349.52</b>	<b>4,646.65</b>
	<b>(b) Deferred Tax Asset</b>		
	(i) Expenses allowable on the basis of Payment	94.35	103.06
	(ii) MAT Credit Entitlement	1,147.06	1,334.19
	(iii) Other items giving raise to temporary differences	133.70	147.56
	<b>Total</b>	<b>1,375.11</b>	<b>1,584.81</b>
	<b>Net Deferred Tax Liabilities (a) - (b)</b>	<b>3,974.41</b>	<b>3,061.84</b>

### (c) Movement in Deferred Tax Liabilities

Particulars	Property, Plant and Equipment	Other Items	Total
As at 31st March, 2018	4,472.28	11.96	4,484.24
Charged/(Credited)	166.00	(3.59)	162.41
<b>As at 31st March, 2019</b>	<b>4,638.28</b>	<b>8.37</b>	<b>4,646.65</b>
Charged/(Credited)	669.87	33.00	702.87
<b>As at 31st March, 2020</b>	<b>5,308.15</b>	<b>41.37</b>	<b>5,349.52</b>

### (d) Movement in Deferred Tax Assets

Particulars	Expenses allowable on payment basis	MAT Credit	Other items	Total
As at 31st March, 2018	125.17	1,921.41	137.35	2,183.93
Charged/(Credited)	(22.11)	(587.22)	10.21	(599.12)
<b>As at 31st March, 2019</b>	<b>103.06</b>	<b>1,334.19</b>	<b>147.56</b>	<b>1,584.81</b>
Charged/(Credited)	(8.71)	(187.13)	(13.87)	(209.70)
<b>As at 31st March, 2020</b>	<b>94.35</b>	<b>1,147.06</b>	<b>133.70</b>	<b>1,375.11</b>



## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	As at 31st March 2020	As at 31st March 2019
<b>23</b>	<b>Current Borrowings</b>		
	<b>Secured</b>		
	Working Capital Loans from Banks		
	--- State Bank of India	3,513.74	5,630.86
	--- RBL Bank Ltd	1,402.23	1,450.00
	--- IDBI Bank Ltd	1,199.55	-
	<b>Total</b>	<b>6,115.52</b>	<b>7,080.86</b>

### 23.1 Security Terms

- (a) Working capital facilities sanctioned by State Bank of India and RBL Bank are secured by first charge on pari-passu basis of all current assets both present and future. These facilities are further secured by way of second charge on pari-passu basis of all movable and immovable fixed assets of the Company both present and future and also guaranteed by Mr. P Ramesh Babu Chairman and Managing Director, and Mr. TVVSN Murthy, Director of the Company, in their personal capacities.
- (b) Working Capital Facilities extended by State Bank of India are having the following additional security apart from the details of Security mentioned supra.
- Equitable mortgage of Agricultural land admeasuring 3.65 Acres situated in Yalamanchili Village of West Godavari District, belonging to Mr. TVVSN Murthy, Director of the Company.
- (c) Working capital facilities sanctioned by IDBI Bank is secured by first charge on pari-passu basis of all current assets both present and future. These facilities are further secured by way of second charge on pari-passu basis of all movable and immovable fixed assets of the Company both present and future and also guaranteed by Mr. P Ramesh Babu Chairman and Managing Director of the Company in is personal capacity.
- (d) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 40.

### 23.2 Rate of Interest is as follows:

Name of the Bank	Rate of Interest
State Bank of India	
Cash Credit	8.85%
Export Packing Credit	8.40%
Stand by Loan	8.40%
IDBI Bank Limited	8.60%
RBL Bank	9.10%

23.3 **Terms of Repayment:** The above working capital loans are repayable on demand.

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 23.4 Debt Reconciliation as required by Ind AS -7, Statement of Cash Flows

Particulars	31st March, 2020	31st March, 2019
Opening Borrowings	7,080.86	5,839.71
Add: Received during the year	1,199.56	4,067.20
Less: Paid during the year	2,164.89	2,826.05
<b>Closing Current Borrowings</b>	<b>6,115.53</b>	<b>7,080.86</b>

Note	Particulars	As at 31st March 2020	As at 31st March 2019
<b>24</b>	<b>Trade Payables</b>		
(a)	Creditor for Supply of Materials		
(i)	Due to Micro and Small Enterprises (Refer No 51)	23.01	12.54
(ii)	Due to Related Parties (Refer No.24.1)	244.97	1,176.06
(iii)	Others	3,687.08	3,028.82
(b)	Creditors for Expenses	494.34	552.45
	<b>Total</b>	<b>4,449.40</b>	<b>4,769.87</b>

24.1 Trade Payables includes an amount of Rs.63.48 lakhs ( Previous Year Rs 1046.77 lakhs) payable to SMS Lifesciences India Limited, Rs 181.49 lakhs (previous year Rs. 129.28 lakhs) payable to R Chem (Somanahalli) Private Limited.

### 25 Other Financial Liabilities

#### Current

Current Maturities of Long-Term Debt (Refer Note.20)	2,291.50	1,075.00
Capital Creditors	470.75	213.95
Interest Accrued but not due	70.61	-
Unclaimed Dividend	10.90	7.90
<b>Total</b>	<b>2,843.76</b>	<b>1,296.85</b>

### 26 Other Current Liabilities

Statutory Liabilities	82.66	104.64
Advance from Customers	932.06	859.66
Employee Benefits Payable	25.32	71.04
<b>Total</b>	<b>1,040.04</b>	<b>1,035.34</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2019-20	Previous Year 2018-19
<b>27</b>	<b>Revenue from Operations</b>		
	<b>(a) Sale of Products</b>		
	Gross Sales (including GST )	43,307.54	44,813.59
	Less: Goods and Service Tax	3,898.45	3,737.31
	<b>Net Revenue from Sales</b>	<b>39,409.09</b>	<b>41,076.28</b>
	<b>(b) Income from Services</b>		
	Conversion Charges	1,564.02	6,025.16
	Less: Goods and Service Tax	238.58	919.09
	<b>Net Income from Services</b>	<b>1,325.44</b>	<b>5,106.07</b>
	<b>(c) Other Operating Income</b>		
	Export Incentives	460.16	308.73
	<b>Total Net Revenue from Operations (a+b+c)</b>	<b>41,194.69</b>	<b>46,491.08</b>
<b>28</b>	<b>Other Income</b>		
	(i) Interest Income	35.16	39.01
	(ii) Net Gain on Foreign Exchange	179.61	93.20
	(iii) Miscellaneous Income (Net of GST)	296.57	208.10
	<b>Total</b>	<b>511.34</b>	<b>340.31</b>
<b>28.1</b>	Miscellaneous Income includes Rent received from related parties of Rs.36.20 lakhs (Previous year Rs.24.52 lakhs)		
<b>29</b>	<b>Cost of Materials Consumed</b>		
	<b>Raw Material &amp; Packing Material</b>		
	Stock at the Beginning of the Year	5,455.75	4,026.24
	Add: Purchases	23,895.34	32,148.64
	Less: Stock at the End of the Year	3,400.91	5,455.75
	<b>Total Materials Consumed</b>	<b>25,950.18</b>	<b>30,719.13</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2019-20	Previous Year 2018-19
<b>30</b>	<b>Changes in Inventory</b>		
	<b>(a) Opening Stock of Inventory:</b>		
	Finished Goods	3,871.58	3,303.22
	Stock in Process	4,274.05	3,394.13
	<b>Sub Total (a)</b>	<b>8,145.63</b>	<b>6,697.35</b>
	<b>(b) Closing Stock of Inventory:</b>		
	Finished Goods	5,068.02	3,871.58
	Stock in Process	4,391.69	4,274.05
	<b>Sub Total (b)</b>	<b>9,459.71</b>	<b>8,145.63</b>
	<b>(Increase)/Decrease in Stock (a-b)</b>	<b>(1,314.08)</b>	<b>(1,448.28)</b>
<b>31</b>	<b>Manufacturing Expenses</b>		
	Power and Fuel	1,885.08	2,162.73
	Consumable Stores	502.27	503.03
	Testing Charges	125.29	90.41
	Water Charges	13.70	12.43
	Repairs & Maintenance to Buildings	81.36	78.07
	Repairs & Maintenance to Plant & Machinery	582.29	503.30
	Factory Maintenance	133.77	104.25
	Effluent Treatment Charges	40.11	29.96
	<b>Total</b>	<b>3,363.87</b>	<b>3,484.18</b>
<b>32</b>	<b>Employee Benefit Expense</b>		
	Salaries, Wages and Bonus	3,480.37	3,130.24
	Contribution to Provident Fund	217.56	200.06
	Contribution to ESI	29.87	40.16
	Staff Welfare Expenses	207.42	188.21
	<b>Total</b>	<b>3,935.22</b>	<b>3,558.67</b>
<b>33</b>	<b>Finance Cost</b>		
	Interest on Non Current Borrowings	646.51	779.43
	Interest on Current Borrowings	403.65	353.29
	Interest on Others	0.30	4.47
	Interest on Lease Liability	58.44	-
	Bank Charges	112.24	50.15
	<b>Total</b>	<b>1,221.14</b>	<b>1,187.34</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2019-20	Previous Year 2018-19
<b>34</b>	<b>Depreciation and Amortisation Expenses</b>		
	Depreciation of Property, Plant and Equipment	2,075.43	1,903.54
	Amortisation of Right-of-use Assets	95.64	-
	Amortisation of Intangible Assets	35.57	23.75
	<b>Total</b>	<b>2,206.64</b>	<b>1,927.29</b>
<b>35</b>	<b>Other Expenses</b>		
	Rent	10.08	102.85
	Rates and Taxes	36.72	38.07
	Insurance	94.89	76.15
	Directors Remuneration	264.22	315.52
	Travelling and Conveyance	43.38	38.32
	Communication Expenses	13.29	18.01
	Printing and Stationery	56.98	51.96
	Repairs & Maintenance to Other Assets	20.84	10.25
	Vehicle Maintenance	23.75	19.93
	Payments to Auditors (Refer Note 35.1)	11.00	11.00
	Cost Audit Fee	0.75	0.75
	General Expenses	159.90	119.51
	Corporate Social Responsibility (Refer Note 35.2)	53.18	38.94
	Provision for Doubtful Debts	-	10.31
	Interest on Indirect Taxes	10.40	4.78
	Loss on Sale of Assets	5.14	0.11
	Business Promotion Expenses	156.19	63.39
	Regulatory Fee	93.05	86.18
	Carriage Outward	118.69	64.44
	Sales Commission	95.05	97.16
	<b>Total</b>	<b>1,267.50</b>	<b>1,167.63</b>
<b>35.1</b>	<b>Details of Payments to Auditors</b>		
	Audit Fee	8.00	8.00
	Tax Audit Fee	2.00	2.00
	Certification Fee	1.00	1.00
	<b>Total Payments to Auditors</b>	<b>11.00</b>	<b>11.00</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2019-20	Previous Year 2018-19
<b>35.2</b>	<b>Corporate Social Responsibility Expenditure</b>		
	Amount required to be spent as per section 135 of the Companies Act, 2013	<b>109.52</b>	105.50
	Amount spent during the year on		
	(i) Construction/Acquisition of an Asset	-	28.44
	(ii) For other than (i) above	<b>53.18</b>	10.50
	Total amount Spent	<b>53.18</b>	38.94
	Amount un spent during the year	<b>56.34</b>	66.56
<b>35.2.1</b>	During the year the Company has initiated for construction of School Building and Hospital and also for providing Health Care and drinking water facilities with an estimate of Rs. 116.00 Lakhs towards CSR Liability.		
<b>36</b>	<b>Income Tax Expense</b>		
	<b>Current Tax</b>		
	Current tax on profits for the year	<b>900.00</b>	1,350.00
	Adjustments for current tax of prior periods	<b>(5.86)</b>	(16.64)
	<b>Total Current Tax</b>	<b>894.14</b>	<b>1,333.36</b>
	<b>Deferred Tax</b>		
	Increase/(Decrease) in Deferred Tax Liabilities	<b>707.47</b>	162.41
	Decrease/(Increase) in Deferred Tax Assets	<b>209.70</b>	598.84
	Acturial (Gain)/Loss	<b>(4.60)</b>	(4.53)
	<b>Total Deferred Tax Expense/(Benefit)</b>	<b>912.57</b>	<b>756.72</b>
	<b>Total</b>	<b>1,806.71</b>	<b>2,090.08</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 36.1 Reconciliation of Tax Expense with Tax on Accounting Profits at normal rate is as follows:

Note	Particulars	Current Year 2019-20	Previous Year 2018-19
(a)	Profit before Income Tax Expenses	5,075.56	6,235.43
(b)	Enacted Tax Rate in India	34.94%	34.94%
<b>(c)</b>	<b>Expected Tax Expenses (a)x(b)</b>	<b>1,773.60</b>	<b>2,178.90</b>
<b>(d)</b>	<b>Tax Effect on Permanent Difference:</b>		
	Weighted Deduction under section 35(2AB) under the Income Tax Act, 1961	(700.15)	(79.38)
	Expenses not allowed under Income Tax Act	697.92	16.06
	Other Adjustments	45.71	(8.86)
	MAT Credit Entitlement for earlier years	(4.50)	-
	Adjustment of Current Tax of Prior Periods	(5.86)	(16.64)
	<b>Total Adjustments</b>	<b>33.12</b>	<b>(88.82)</b>
	<b>Current Tax Expense as per P &amp; L</b>	<b>1,806.72</b>	<b>2,090.08</b>
	<b>Effective Tax Rate</b>	<b>35.60%</b>	<b>33.52%</b>

### 37 Other Comprehensive Income

Actuarial Gain/(Loss) on Post Employment Benefit Expenses	9.09	12.91
Return on Plan Assets excluding net interest	4.06	0.04
	<b>13.15</b>	<b>12.95</b>
Deferred Taxes on above	(4.60)	(4.53)
<b>Net Comprehensive Income</b>	<b>8.55</b>	<b>8.42</b>

### 38 Earning Per Share (Basic and Diluted)

(a) Net profit for Basic & Diluted EPS	3,157.37	4004.81
(b) Weighted average number of equity shares of Re.1/- each (Basic & Diluted)	846.52	846.52
(b) Earnings per share of par value Re 1/- per share -(Basic & diluted)	3.73	4.73

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 39 Employment Benefits

#### 39.1 Defined Contribution plans

##### 39.1.1 Employer's Contribution to Provident Fund:

Contributions are made to provident fund in India for employees at the rate of 12% of the Employees qualifying salary as per regulations. The contributions are made to registered provident fund administered by the Government of India. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards PF contribution is ₹ 217.56 lakhs (Previous Year ₹ 200.06 lakhs).

##### 39.1.2 Employer's Contribution to State Insurance Scheme:

Contributions are made to State Insurance Scheme in India for employees at the rate of 4.75%. The Contributions are made to Employees State Insurance Corporation(ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards ESI contribution is Rs.29.87 lakhs (Previous Year- Rs. 40.16 lakhs).

#### 39.2 Defined Benefit Plans

The Company has a defined benefit gratuity plan governed by Payment of Gratuity Act, 1972. Every Employee who has completed five years or more of service is entitled to a gratuity on departure at 15 days salary for each completed year of Service. The Scheme is funded through a policy with Life Insurance Corporation of India (LIC).

The Company has a defined benefit Compensated Absence Plan governed by The Factories Act, 1948. Every Employee who has worked for a period of 240 days or more in a factory during a calendar year shall be allowed during the subsequent calendar year, leave with wages for a number of days calculated as per Act.

The following table summarise net benefit expenses recognised in the statement of profit and loss, the status of funding and the amount recognised in the Balance Sheet for both the plans:

Note	Particulars	31st March, 2020		31st March, 2019	
		Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
<b>39.2.1</b>	<b>Net Employee Benefit Expense</b>				
	<b>(Recognised in Employee Benefit Expenses)</b>				
	Current Service Cost	41.24	27.25	34.89	37.42
	Interest Cost	10.39	4.38	10.82	7.91
	Adj to Opening Balance	-	-	3.53	-
	Contribution paid	(54.24)	(5.81)	(92.94)	(4.96)
		<b>(2.61)</b>	<b>25.82</b>	<b>43.70</b>	<b>40.37</b>
<b>39.2.2</b>	<b>Other Comprehensive Income</b>				
	Actuarial Gain/(Loss)	9.09	(15.54)	12.90	(75.11)
	Return on Plan Assets excluding net interest	4.06	-	0.05	-
	Total Actuarial (Gain)/Loss recognized in OCI	<b>13.15</b>	<b>(15.54)</b>	<b>12.95</b>	<b>(75.11)</b>



## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	31st March, 2020		31st March, 2019	
		Gratuity (Funded)	Leave En-cashment (Unfunded)	Gratuity (Funded)	Leave En-cashment (Unfunded)
<b>39.2.3</b>	<b>Amount recognised in the Balance Sheet</b>				
	Defined Benefit Obligation	349.91	81.04	304.78	70.77
	Fair Value of Plan Assets	(186.27)	-	(151.67)	-
		<b>163.64</b>	<b>81.04</b>	<b>153.11</b>	<b>70.77</b>
<b>39.2.4</b>	Other Comprehensive Income in case of Employees Compensated Absence Scheme not considered as it was not funded.				
<b>39.2.5</b>	<b>Change in the Present Value of the Defined Benefit Obligation</b>				
	Opening Defined Benefit Obligation	304.76	70.77	246.48	105.51
	Adjustment to Opening Balance	-	-	-	-
	Current Service Cost	41.24	27.25	34.89	37.42
	Interest Cost	21.63	4.38	18.61	7.91
	Contribution Paid	-	(5.81)	-	(4.96)
	Benefits Paid	(26.83)	-	(8.12)	-
	Net Actuarial (gain)/ losses on Obligation for the year recognised under OCI	9.09	(15.55)	12.90	(75.11)
	Closing Defined Benefit Obligation	<b>349.90</b>	<b>81.04</b>	<b>304.76</b>	<b>70.77</b>
<b>39.2.6</b>	<b>Change in the Fair Value of Plan Assets</b>				
	Opening Fair Value of Plan Assets	151.67	-	62.62	-
	Adjustment to Opening Fair Value of Plan Asset	-	-	(3.53)	-
	Return on Plan Assets Excluding Interest Income	(4.06)	-	(0.04)	-
	Interest Income	11.24	-	7.80	-
	Contributions	54.24	-	92.94	-
	Benefits Paid	(26.83)	-	(8.12)	-
	Closing Fair Value of Plan Assets	<b>186.26</b>	<b>-</b>	<b>151.67</b>	<b>-</b>
<b>39.2.7</b>	<b>Actuarial (Gain)/Loss on Obligation</b>				
	Due to Demographic Assumption	-	-	-	-
	Due to Financial Assumption	28.14	-	0.56	-
	Due to Experience	(19.05)	-	12.34	-
	Return on Plan Assets excluding Interest	4.06	-	(0.04)	-
	<b>Total Actuarial (Gain)/Loss</b>	<b>13.15</b>	<b>-</b>	<b>12.86</b>	<b>-</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

**39.2.8** The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Note	Particulars	31st March, 2020	31st March, 2019
	State Govt Security	110.32	89.83
	Central Govt Securities	40.81	33.23
	NCD/Bonds	24.83	20.22
	Others	10.30	8.39
	<b>Total</b>	<b>186.26</b>	<b>151.67</b>

Expected Return on Assets is based on rate of return declared by fund managers.

**39.2.9 Actuarial Assumptions for estimating Company's Defined Benefit Obligation:**

Discount rate	6.76%	7.66%
Attrition Rate	PS : 0 to 40 2%	PS : 0 to 40 2%
Expected rate of increase in Salary	3.00%	3.00%
Expected rate of return on Plan Assets Mortality Table	IALM (2012-14)	IALM (2006-08)
Expected average remaining working lives of Employees	18.72	19.34

- Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.
- Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India.
- The Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

### 39.2.10 Sensitivity Analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

<b>Defined Benefit Obligation</b>	<b>163.64</b>	153.11
<b>Effect of 1% change in assumed discount rate on defined benefit obligation</b>		
Increase : + 1%	318.88	278.60
Decrease: -1%	386.21	335.38
<b>Effect of 1% change in assumed salary escalation rate on defined benefit obligation</b>		
Increase : + 1%	384.56	334.96
Decrease: -1%	319.64	278.55

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (Projected Unit Credit Method) has been applied as while calculating the defined benefit liability recognised within the Balance Sheet.

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 39.2.11 Other Information

**(i) Expected rate of return basis**

Since the scheme funds are invested with LIC of India EROA is based on rate of return declared by fund managers.

**(ii) Description of Plan Assets and Reimbursement Conditions**

100% of the Plan Asset is entrusted to LIC of India under their Group Gratuity Scheme. The reimbursement is subject to LIC's Surrender Policy

**(iii) Discount Rate**

The discount rate has decreased from 7.66% to 6.76% and hence there is a decrease in liability leading to actuarial gain due to change in discount rate.

**(iv) Present Value of Defined Benefit Obligation:**

Present value of the defined benefit obligation is calculated by using Projected Unit Credit Method (PUC Method). Under the PUC Method, a "projected accrued benefit" is calculated at the beginning of the year and again at the end of the year for each benefit that will accrue for all active members of the Plan. The "Projected accrued benefit" is based on the Plan's accrual formula and upon service as of the beginning or end of the year, but using a member's final compensation, projected to the age at which the employee is assumed to leave active service. The Plan Liability is the actuarial present value of the "Projected accrued benefits" as of the beginning of the year for active members.

**(v) Expected Average remaining service vs. Average remaining future service:**

The average remaining service can be arithmetically arrived by deducting current age from normal retirement age whereas the expected average remaining service is arrived actuarially by applying multiple decrements to the average remaining future service namely mortality and withdrawals. Thus, the expected average remaining service is always less than the average remaining future service.

**(vi) Current and Non Current Liability:**

The total of current and non-current liability must be equal with the total of PVO ( Present value obligation) at the end of the period plus short term compensated liability if any. It has been classified in terms of " Schedule III" of the Companies Act, 2013.

**(vii) Defined Benefit Liability and Employer Contributions**

The Company has purchased insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly.

The Weighted Average duration of the defined benefit obligation is 10.99 years(2018-19 : 10.98 years). The expected cash flows over the subsequent years is as follows:

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Expected Payout Gratuity	31st March, 2020	31st March, 2019
1st Year	48.89	44.74
2nd Year	10.49	10.08
3rd Year	11.21	10.50
4th Year	12.46	23.32
5th Year	21.85	11.74
beyond 5th Year	111.72	115.16

### 39.2.12 Risk Exposure

Through its defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

- Investment/Interest Rate Risk:** The Company is exposed to Investment / Interest risk if the return on the invested fund falls below the discount rate used to arrive at present value of the benefit.
- Longevity Risk:** The Company is not exposed to risk of the employees living longer as the benefit under the scheme ceases on the employee separating from the employer for any reason.
- Risk of Salary Increase:** The Company is exposed to higher liability if the future salaries rise more than assumption of salary escalation.

### 40 Assets Pledged as Security

For Non Current Borrowings

Secured by First Charge on Property, Plant and Equipment and Second Charge on Current Assets.

**For Current Borrowings**

Secured by First Charge on Current Assets and Second Charge on PPE (Property, Plant and Equipment).

The carrying amounts of Company's assets pledged as security for Non Current and Current Borrowings of ₹ 15,179.73 (Previous Year ₹ 14,256.91) are as follows:

Particulars	31st March, 2020	31st March, 2019
Property, Plant and Equipment	27,518.98	28,010.79
Current Assets	21,878.09	20,759.03
<b>Total Assets Pledged as Security</b>	<b>49,397.07</b>	<b>48,769.82</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 41 Research and Development

#### 41.1 Details of Revenue Expenditure (expensed as and when incurred):

Particulars	31st March, 2020	31st March, 2019
Salaries & Wages	416.07	412.58
Materials Consumed	94.55	99.94
Repairs and Maintenance	126.03	106.82
Power and Fuel	66.98	50.80
Testing and analysis charges	14.18	13.06
Rates and Taxes	7.28	7.12
Insurance	3.97	2.54
General Expenses	14.79	11.51
<b>Total</b>	<b>743.85</b>	<b>704.37</b>

#### 41.2 Details of Property, Plant and Equipment:

Particulars	Buildings	Plant and Equipment	Furniture and Fixtures	Computers	Vehicles	Patents Filing Fee	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Gross Carrying Value</b>							
1 As at 31 March, 2018	874.37	941.00	6.11	12.67	9.10	3.43	1,846.68
2 Additions	-	31.47	-	9.35	-	2.56	43.38
3 As at 31 March, 2019 (1+2)	874.37	972.47	6.11	22.02	9.10	5.99	1,890.06
4 Additions	68.25	1,147.10	17.32	28.46	-	3.95	1,265.08
5 As at 31 March, 2020 (3+4)	942.62	2,119.57	23.43	50.48	9.10	9.94	3,155.14
<b>Depreciation</b>							
6 As at 31 March, 2018	74.18	317.92	3.60	6.57	2.00	1.63	405.90
7 Charge for the Year	37.24	67.98	0.23	4.08	1.08	1.16	111.77
8 As at 31 March, 2019 (6+7)	111.42	385.90	3.83	10.65	3.08	2.79	517.67
9 Charge for the Year	38.15	106.24	0.85	7.37	1.08	1.41	155.10
10 As at 31 March, 2020 (8+9)	149.57	492.14	4.68	18.02	4.16	4.20	672.77
<b>Net Carrying Value</b>							
11 As at 31 March, 2018 (1-6)	800.19	623.08	2.51	6.10	7.10	1.80	1,440.78
12 As at 31 March, 2019 (3-18)	762.95	586.57	2.28	11.37	6.02	3.20	1,372.39
13 As at 31 March, 2020 (5-10)	793.05	1,627.43	18.75	32.46	4.94	5.74	2,482.37

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Financial Instruments and Risk Management

#### 42 Categories of Financial Instruments

Particulars	Note	Level	As at 31 March, 2020		As at 31 March, 2019	
			Carrying Value	Fair Value	Carrying Value	Fair Value
<b>A. Financial Assets</b>						
<b>(a) Measured at Amortised Cost</b>						
<b>(i) Non Current</b>						
(a) Bank Balances	8	3	224.89	224.89	212.50	212.50
(b) Other Financial Assets	9	3	331.95	331.95	343.04	343.04
<b>Sub - Total</b>			<b>556.84</b>	<b>556.84</b>	<b>555.54</b>	<b>555.54</b>
<b>(ii) Current</b>						
(a) Trade Receivables	12	Refer	4,877.07	4,877.07	2,602.25	2,602.25
(b) Cash and Cash Equivalents	13	Note	954.42	954.42	1,479.77	1,479.77
(c) Other Bank Balances	14	42.2	10.91	10.91	7.90	7.90
(d) Other Financial Assets	15		28.50	28.50	24.33	24.33
<b>Sub - Total</b>			<b>5,870.90</b>	<b>5,870.90</b>	<b>4,114.25</b>	<b>4,114.25</b>
<b>Total Financial Assets</b>			<b>6,427.74</b>	<b>6,427.74</b>	<b>4,669.79</b>	<b>4,669.79</b>
<b>B. Financial Liabilities</b>						
<b>(a) Measured at Amortised Cost</b>						
<b>(i) Non Current</b>						
(a) Borrowings	20	3	6,822.10	6,822.10	6,221.05	6,221.05
<b>(ii) Current</b>						
(a) Borrowings	23	Refer	6,115.52	6,115.52	7,080.86	7,080.86
(b) Trade Payables	24	Note	4,449.40	4,449.40	4,769.87	4,769.87
(c) Other Financial Liabilities	25	42.2	2,842.76	2,842.76	1,296.85	1,296.85
<b>Sub - Total</b>			<b>13,407.68</b>	<b>13,407.68</b>	<b>13,147.58</b>	<b>13,147.58</b>
<b>Total Financial Liabilities</b>			<b>20,230.78</b>	<b>20,230.78</b>	<b>19,368.63</b>	<b>19,368.63</b>

- 42.1** The Company's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.
- 42.2** The carrying amounts of Trade Payables, Other Financial Liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.
- 42.3** The management has assessed that fair value of borrowings approximate to their carrying amounts largely since they are carried at floating rate of interest.
- 42.4** Other non current financial assets consists of deposits with Government authorities where the fair value is considered to be the carrying value.

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 43 Fair Value Measurements

#### 43.1 Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

**Level 1:** Quoted prices (unadjusted) in active market for identical assets or liabilities.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entry specific estimates.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

#### 43.2 Valuation Techniques used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of remaining financial instruments is determined using discounted cashflow analysis.

#### 43.3 Valuation Process:

The Finance and accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The main Level 3 inputs are derived using the Discounted Cash Flow Analysis, Market Approach, Net Assets Value Method as applicable.

### 44 Financial Risk Management Objectives and Policies

#### Financial Risk Management Framework

The Company is exposed primarily to credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Company.

#### 44.1 Credit Risk:

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Company result in Material Concentration of credit risk, except for Trade Receivables.

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Financial Instruments and Cash Deposits

For banks and financial institutions, only high rated banks/ institutions are accepted. Other Financial Assets (excluding Bank Deposits) majorly constitute deposits given to State Electricity Departments for supply of power, which the company considers to have negligible credit exposure. Counterparty credit limits are reviewed by the Management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

### Expected Credit Loss for Trade Receivables under simplified approach

For Trade Receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer.

The credit risk is managed by the company by establishing credit limits and continuously monitoring the credit worthiness of the customer. The Company also provides for expected credit losses based on the past experience where it believes that there is high probability of default. In general, all trade receivables greater than 180 days are reviewed and provided for by analysing individual receivables. The Company has considered possible effect from the pandemic relating to Covid-19 on Credit risks including forward looking information to develop expected credit losses.

### Following are the Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	31st March, 2020	31st March, 2019
Gross Carrying Amount	4,879.72	2,655.57
Expected Credit Losses ( Loss Allowance Provision)	2.65	53.32
Net Carrying Amount of Trade Receivables	4,877.07	2,602.25

### Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	Outstanding		Total
	for < 180 days	for > 180 days	
Gross Carrying Amount of Trade Receivables	4,826.67	53.05	4,879.72
Expected Loss Rate	0.00%	5.00%	5.00%
Expected Credit Losses ( Loss allowance provision)	-	2.65	2.65
<b>Net Carrying Amount of Trade Receivables</b>	<b>4,826.67</b>	<b>50.40</b>	<b>4,877.07</b>



## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 44.2 Liquidity Risk:

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
<b>31 March, 2020</b>					
Non Current Borrowings (including Current Maturities)	2,291.50	5,632.74	1,000.00	189.36	9,113.60
Current Borrowings	6,115.52				6,115.52
Interest Accrued but not due	70.61				70.61
Trade Payables	4,449.40				4,449.40
Capital Creditors	470.75				470.75
<b>Total</b>	<b>13,397.78</b>	<b>5,632.74</b>	<b>1,000.00</b>	<b>189.36</b>	<b>20,219.88</b>
<b>31 March, 2019</b>					
Non Current Borrowings (including Current Maturities)	1,075.00	4,006.31	1,794.73	420.00	7,296.04
Current Borrowings	7,080.86				7,080.86
Interest Accrued but not due	-				-
Trade Payables	4,769.87				4,769.87
Capital Creditors	213.95				213.95
<b>Total</b>	<b>13,139.68</b>	<b>4,006.31</b>	<b>1,794.73</b>	<b>420.00</b>	<b>19,360.73</b>

### 44.3 Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk, currency rate risk, interest rate risk and other price risks such as equity risk. Financial instruments affected by market risk include loans and advances deposits investments in debt securities mutual funds and other equity funds.

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 44.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest risk management by balancing the proportion of fixed rate and floating rate financial instruments in its portfolio.

Particulars	Change in basis points		Effect on Profit before Tax	
	Increase	Decrease	Decrease	Increase
31 March, 2020	0.50%	0.50%	(76.15)	76.15
31 March, 2019	0.50%	0.50%	(71.88)	71.88

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

### 44.3.2 Foreign Currency Exchange Rate Risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has transactional currency exposures arising from services provided or availed that are denominated in a currency other than the functional currency. The foreign currencies in which these transactions are denominated are mainly in US Dollars (\$). The Company's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

#### (a) Details of Unhedged Foreign Currency Exposure:

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Particulars	Currency	Amount in Foreign Currency	Amount in ₹ In Lakhs	Conversion Rate
<b>31st March, 2020</b>				
Trade Receivables	USD	31.79	2,394.85	75.33
Trade Payables	USD	7.57	570.12	75.33
Advance from Customers	USD	9.95	749.34	75.33
Advance to Suppliers	USD	7.55	568.36	75.33
<b>31st March, 2019</b>				
Trade Receivables	USD	28.16	1,955.58	69.44
Trade Payables	USD	3.89	269.83	69.44
Advance from Customers	USD	6.40	444.31	69.44
Advance to Suppliers	USD	0.01	0.62	69.44

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### (b) Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Effect on Profit before Tax	
	31st March, 2020	31st March, 2019
	₹	₹
<b>USD Sensitivity</b>		
Rs/USD - Increases by 1%	<b>16.44</b>	12.42
Rs/USD - Decreases by 1%	<b>(16.44)</b>	(12.42)

### 44.3.3 Other Price Risk:

Other price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

## 45 Capital Management

For the purposes of the Company's Capital Management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Company intends to keep the gearing ratio less than 1. The Company includes within net debt, borrowings including interest accrued on borrowings less cash and short term deposits.

Particulars	31st March, 2020	31st March, 2019
Borrowings including Interest Accrued	<b>15,229.12</b>	14,376.90
Less: Cash and Short Term Deposits	<b>954.42</b>	1,479.77
<b>Net Debt</b>	<b>14,274.70</b>	<b>12,897.13</b>
Equity	<b>846.52</b>	846.52
Other Equity	<b>33,977.03</b>	31,345.22
Total Equity	<b>34,823.55</b>	32,191.74
<b>Total Capital Employed</b>	<b>49,098.25</b>	<b>45,088.87</b>
Gearing Ratio (Net Debt/(Net Debt + Total Equity))	<b>0.29</b>	0.29

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 45.1 Loan Covenants

During the tenor of the facility with the bank, the following are the actual financial covenants:

Particulars	Stipulated Lenders	Actuals as at	
		31st March, 2020	31st March, 2019
Total Debt/TNW	<= 1.0	0.23	0.25
Total Debt / EBITDA	<= 3.0	1.01	0.91
DSCR	> 1.30	3.56	2.84
Total Indebtedness Ratio	2.50:1	0.41	0.41

Borrower to maintain the above financial indicators at the stipulated levels during the currency of the facility. In case of non-compliance of any covenant or other terms and conditions of sanction, penal interest one percent per annum on the entire outstanding for the period of non-adherence subject to a minimum period of one year.

### 46 Segment Information

#### A Basis for segmentation

The operations of the Company are limited to one segment viz. Pharmaceutical products including ingredients and intermediaries.. The products being sold under this segment are of similar nature and comprises of pharmaceutical products only. The Company's Chief Operating Decision Maker (CODM) reviews the internal management reports prepared based on aggregation of financial information of the Company on a periodic basis, for the purpose of allocation of resources and evaluation of performance. Accordingly, management has identified pharmaceutical segment as the only operating segment for the Company.

#### B Segment information for secondary segment reporting (by geographical segment)

The Company is engaged in the manufacture of Pharmaceuticals, which in the context of Ind AS 108 is considered only business segment.

The Company has reportable geographical segments based on location of its customers:

- (i) Revenue from customers within India – Domestic
- (ii) Revenue from customers outside India – Exports
- (iii) Revenue from customers EOU – Deemed Exports
- (iv) Revenue from Export Incentives

a) Revenues are attributed to geographical areas based on the location of the customers as detailed below:

Particulars	Current Year 2019-20		Previous Year 2018-19	
	Revenue	%	Revenue	%
Exports	15,093.43	36.64%	6,319.96	13.59%
Deemed Exports	16,742.24	40.64%	24,727.53	53.19%
Domestic	8,898.85	21.60%	15,134.86	32.56%
Export Incentives	460.16	1.12%	308.73	0.66%
<b>Total</b>	<b>41,194.68</b>	<b>100.00%</b>	<b>46,491.08</b>	<b>100.00%</b>

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### b) Non Current Asset

Particulars	31st March, 2020	31st March, 2019
With in India	38,913.37	35,122.40
Outside India	-	-
<b>Total</b>	<b>38,913.37</b>	<b>35,122.40</b>

#### Note:

Non-current assets for this purpose consist of property, plant and equipment, capital work in progress, intangible assets, intangible assets under development and other non-current assets.

### 47 Interest in Other Entities:

Name of the entity	Place of Business/ Country of incorporation	Ownership Interest held by the Company		Ownership interest held by Non-Controlling interests		Principal activity
		31 March 2020	31 March 2019	31 March 2020	31 March 2019	
VKT Pharma Private Limited	India	42.62%	42.62%	57.38%	57.38%	Manufacture and sale of API and Formulations

### 48 Related Party Transactions

#### (a) Key Management Personnel(KMP)

Name	Relationship
Mr. P Ramesh Babu	Chairman and Managing Director
Mr. T Lakshmi Narayana	Chief Financial Officer
Mr. V.S. Venkatesh	Company Secretary

#### (b) Relatives of KMP

Name of the Relative	Relationship with KMP
Mr. P Vamsikrishna	Son of Mr. P Ramesh Babu

#### (c) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions :

Relationship	Name of the Company
Associate Company	1. VKT Pharma Private Limited
Enterprises over which KMP are able to Exercise Significant Influence	2. SMS LifeSciences India Limited
	3. Potluri Laboratories Private Limited
	4. Potluri Infra Projects LLP
	5. Rchem (Somanahalli) Private Limited

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### (d) Transactions with Related Parties:

Name of the Company	31st March, 2020	31st March, 2019
	Amount	Amount
<b>Key Management Personnel</b>		
Remuneration - Short Term Employee Benefits	288.47	338.25
<b>Relatives of KMP</b>		
Remuneration - Short Term Employee Benefits	52.50	39.00
<b>Associate Company</b>		
Purchases	-	19.15
Sales	1,385.96	163.04
Rental Income	24.66	7.08
<b>Enterprise with Significant Influence</b>		
Purchases	1,557.00	2,398.96
Sales	54.73	61.50
Rental Income	47.15	35.37
<b>Balance (Payable)/Receivable at the year end</b>		
<b>Key Management Personnel</b>		
Remuneration Payable	44.39	77.03
<b>Relatives of KMP</b>		
Remuneration Payable	2.52	0.92
<b>Associate Company</b>	1,443.12	77.66
<b>Enterprise with Significant Influence</b>	(241.36)	(1,176.06)

### (e) Note:

- i) The above transactions are in the ordinary course of business and are at arm's length price.
- ii) As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Key Management Personnel and their relatives is not ascertainable and, therefore, not included above. Contribution to Provident Fund was also not included.

### 49 Contingent Liabilities

Particulars	31st March, 2020	31st March, 2019
Letter of credits opened in favor of suppliers for which goods are yet to be received	32.34	188.51
Customs Duty against Advance Authorizations	140.17	116.50
Entry Tax Liability	1.75	1.75

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Note: Provident Fund

Pursuant to Supreme Court Judgement dated 28 February 2019, regarding the provident fund contribution wherein there has been a clarification provided of the inclusions of basic wages for the purpose of computation of contribution towards provident fund, the Company has been legally advised that there are interpretative challenges on the application of the judgement retrospectively. Based on the legal advice and in the absence of reliable measurement of the provision for earlier periods, the Company has assessed the impact of the judgement only from the year ended 31st March, 2019 and concluded that there was no impact. Further, no contingent liability has been recognised based on retrospective application as amount cannot be reliably measured.

### 50 Commitments

	Particulars	31st March, 2020	31st March, 2019
(a)	Commitments for Capital Expenditure	5,782.53	323.92
(b)	Export Obligations	9,992.76	10,605.33

### 51 Payables to Micro, Small & Medium Enterprises

The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

	Particulars	31st March 2020	31st March 2019
(i)	the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	23.01	12.54
(ii)	Interest on payments beyond the appointed day paid to the suppliers during the year	-	-
(iii)	Interest due and payable for the delay in making payment to suppliers during the year	-	-
(iv)	Amount of interest accrued and remaining unpaid to suppliers at the end of the year	0.29	3.55
(v)	Amount of further interest remaining due and payable to suppliers in succeeding years	-	-

The above information regarding Micro Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the companies. This has been relied upon by the auditors.

### 52 Impact of Covid-19 Pandemic

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of its inventories, receivables and investments. As the company is into essential manufacturing service which is exempt from lockdown restrictions, there has been minimal impact in its operations and its supply chain. In this regard, the Company has considered internal and external information while finalizing various estimates in relation to its financial statements up to the date of approval by the Board of Directors and has not identified any material impact on the carrying value of assets, liabilities or provisions. As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic conditions.

## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### 53 Additional Information, as required under schedule III to the Companies Act, 2013, of enterprises Consolidated as Subsidiary/Associates

Name of the Entity	Net Assets, i.e, total assets minus total liabilities		Share in profit or loss		Share in other Comprehensive Income		Share in other Comprehensive Income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of Consolidated profit or loss	Amount	As % of Consolidated profit or loss	Amount
<b>31st March, 2020</b>								
<b>Parent</b>								
SMS Pharmaceuticals Ltd	105.17%	39,020.60	103.53%	3,268.85	55.96%	(8.55)	103.76%	3,260.30
<b>Associate</b>								
VKT Pharma Private Ltd	-5.17%	(1,918.83)	-3.53%	(111.48)	44.04%	(6.73)	-3.76%	(118.21)
<b>Total</b>	<b>100.00%</b>	<b>37,101.77</b>	<b>100.00%</b>	<b>3,157.37</b>	<b>100.00%</b>	<b>(15.28)</b>	<b>100.00%</b>	<b>3,142.09</b>
<b>31st March, 2019</b>								
<b>Parent</b>								
SMS Pharmaceuticals Ltd	105.59%	33,992.36	103.51%	4,145.35	122.96%	(8.42)	103.48%	4,136.92
<b>Associate</b>								
VKT Pharma Private Ltd	-5.59%	(1,800.63)	-3.51%	(140.51)	-22.96%	1.57	-3.48%	(138.94)
<b>Total</b>	<b>100.00%</b>	<b>32,191.73</b>	<b>100.00%</b>	<b>4,004.84</b>	<b>100.00%</b>	<b>(6.85)</b>	<b>100.00%</b>	<b>3,997.98</b>



## Notes to the Consolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

### Salient features of financial statements of subsidiary/associates as per the Companies Act, 2013

Name of the Associates	VKT Pharma Private Ltd
Reporting Currency	Indian Rupees
Date of Incorporation	31-05-2006

Particulars	31st March,2020	31st March,2019
Share Capital	<b>903.38</b>	903.38
Reserves & Surplus	<b>2,445.23</b>	2,691.00
Total Assets	<b>16,634.29</b>	16,251.36
Total Current Liabilities	<b>3,543.51</b>	1,591.14
Investments	<b>7.22</b>	-
Turnover/Total Income	<b>(6.65)</b>	(2.61)
Profit/(Loss) before taxation	<b>(558.15)</b>	(974.54)
Provision for Taxation	<b>(296.59)</b>	(644.85)
Profit/(Loss) after taxation	<b>(261.56)</b>	(329.69)
Proposed dividend	-	-
% Share holding		

54 Previous year figure have been regrouped and reclassified wherever considered necessary to confirm to this year's classifications.

The accompanying notes are an integral part of the Consolidated Financial Statements

as per our report of even date

**for SURYANARAYANA & SURESH**  
Chartered Accountants  
FRN 006631S

for and on behalf of the Board of the Directors of  
**SMS Pharmaceuticals Limited**

**V NAGENDRA RAO**  
Partner  
M.No. 227679

**RAMESH BABU POTLURI**  
Chairman and Managing Director  
DIN: 00166381

**TVVSN MURTHY**  
Director  
DIN: 00465198

Place: Hyderabad  
Date : 05-06-2020

**T. LAKSHMI NARAYANA**  
Chief Financial Officer

**V.S.VENKATISH**  
Company Secretary







*If undelivered, please return to:*



**sms** Pharmaceuticals Ltd.

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